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Annex

East Asia

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East Asia
ANNEX

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Japan

Gorbachev To Seek New Economic Cooperation

OW0202104091 Tokyo NIHON KEIZAI SHIMBUN in Japanese 2 Feb 91 Morning Edition p 3—FOR OFFICIAL USE ONLY

[Text] After the conclusion of the 13th meeting of the Joint Japan-Soviet Economic Committee, Vladislav L. Malkevich, president of the Soviet Chamber and Industry who headed the Soviet delegation at the meeting and Isamu Yamashita, adviser to Mitsui Enginering and Shipbilding Company, who headed the Japanese delegation, held a press conference. Speaking at the press conference, Mr. Malkevich made it clear that the Soviets would ask for fresh Japanese economic cooperation in several areas when President Gorbachev visits Japan in April. At the press conference, Mr. Malkevich also indicated the prospect that 1) Japan will hope for economic cooperation with the Soviet Union through the policy of separating politics from economics, 2) the federal system in the Soviet Union will be maintained in the future, and 3) economic relations between Japan and the Far East region and other areas of the Soviet Union will be strengthened.

At the press conference, Mr. Malkevich also forecast that economic cooperation between Japan and the Soviet Union in the areas of petrochemical modernization, tourism, maritime affairs, railways, Sakhalin oil and natural gas development, and the Siberian forest development project, which were discussed at the meeting, would be major items to be discussed between the two countries when President Gorbachev visits Japan.

Regarding the Japanese Government's policy of not separating political and economic issues, Mr. Malkevich said: "Japanese-Soviet economic relations have been infected by a virus called politics. Although it is impossible to put the economic relations in a completely sterilized space, economics should not be held hostage to politics." He added that this was his personal view.

Speaking of relations between the federation and republics in the Soviet Union, Mr. Malkevich expressed the view that they would draw a clear line on their relations concerning resource and other issues after the union of treaty is signed among them following a referendum to be held on 17 March. He added: "Although two or three republics might break away from the federation, the federal system will be maintained in the future."

Summing up the results of the meeting at the press conference, Mr. Yamashita stressed that "the manifestation of the Soviet side at the meeting that reform (perestroyka) will continue is of great significance to future Japanese-Soviet economic cooperation."

Soviet Minister Requests Economic Cooperation

OW0202120891 Tokyo MAINICHI SHIMBUN in Japanese 2 Feb 91 Morning Edition p 8—FOR OFFICIAL USE ONLY

[Text] Soviet Railway Minister Nikolay Konarev, who is currently visiting Japan to attend the 13th joint session of the Japanese-Soviet and Soviet-Japanese Economic Cooperation Committees, disclosed on 1 February that he had asked the Transport Ministry for economic cooperation in four fields, including the transfer of Japan's technology in building a bullet-line for a high-speed railway project to strengthen transport capability, which the Soviet Government is planning.

The four items of the Soviet Railway Ministry's request are as follows: 1) Japan's technological support for building a high-speed railway connecting Moscow with Leningrad and also with the southern part of the Soviet Union, 2) technological cooperation in strengthening the capability for transporting both passengers and cargo, 3) a supply of passenger trains and fork-lift trucks by Japanese companies, and 4) the establishment of joint ventures in the Sakhalin region in cooperation with Japanese enterprises.

Hiraiwa Accepts Invitation To Visit Soviet Union

OW3101201491 Tokyo JIJI in English 1342 GMT 31 Jan 91—FOR OFFICIAL USE ONLY

[Text] Tokyo, Jan. 31 (JIJI PRESS)—Federation of Economic Organizations (Keidanren) Chairman Gaishi Hiraiwa Thursday accepted a Soviet invitation to visit Moscow.

The invitation was extended by Vladislav L. Malkevich, president of the USSR Chamber of Commerce and Industry, and head of the 120-member Soviet delegation to the 13th joint meeting of the Japan-Soviet business cooperation committee and its Soviet counterpart which opened here Wednesday.

Hiraiwa said he cannot say when to make the trip, but added he wants to visit Moscow at an appropriate time.

At their 30-minute meeting held at the Keidanren Kaikan Building, Malkevich proposed the enhancement of relations between Keidanren and the USSR Chamber of Commerce and Industry to facilitate the Soviet Union's shift to a market economy by learning Japanese management knowhow. Building of cooperative relations between the two will contribute to improving the Soviet Union's corporate management, he stressed. The Keidanren chairman expresed an intention to strengthen Russo-Japanese relations.

USSR Baltic Policy Hurting Business Relations

OW0702071591 Tokyo THE JAPAN ECONOMIC JOURNAL in English 9 Feb 91 p 4—FOR OFFICIAL USE ONLY

[By staff writer Akihiro Tamiya]

[Text] The three-day meeting in Tokyo last week between Japanese and Soviet business leaders was to have heralded the coming of a new era in bilateral economic relations.

It ended with many Japanese officials convinced that things had only changed for the worse.

Yet, it was the Soviet crackdown in the Baltics in early January, not economic issues alone, that separated the two delegations.

Despite optimistic closing statements by the leaders of the two delegations, some Japanese businessmen said they saw little immediate hope for progress.

"The reemergence of the (Soviet Union's) traditional iron-fisted policies, symbolized by the bloody crackdown in the Baltic states, has changed the situation," an executive of a Japanese trading firm said. "Who will dare to invest heavy capital in a country dominated by soldiers and secret police?"

For now, he said, Japanese businessmen "have no option" but to sit back and watch the country's political and economic turmoil.

A record 440 Japanese business executives and 120 Soviet officials signed up for the 13th joint meeting of the Japan-Soviet and Soviet-Japan Business Cooperation committees.

Most participated in the Jan. 30-Feb. 1 meeting, but the mood was far from enthusiastic.

There was no notable progress in negotiations on most large-scale projects to develop Soviet natural resources, the trading company official said.

For example, the two sides failed to narrow their differences over a long-anticipated plan to develop vast oil and natural gas reserves on the continental shelf off Sakhalin.

Said an official at Keidanren, the influential Japanese business association that organized the meeting: "Until early January, there was a feeling in Japanese business and political circles that the Sakhalin talks had to move forward as much as possible before Soviet President Mikhail Gorbachev's visit to Japan in April. But the military repression in the Baltics, and U.S. and European moves to review aid to Moscow, chilled the mood."

He noted that the change in atmosphere was reflected in remarks made by Keidanren Chairman Gaishi Hiraiwa before and after the Baltics incident.

Before the crackdown, Hiraiwa has criticized the Foreign Ministry for its stance that any significant economic assistance to Moscow must be preceded by the return of the Northern Territories, the four islands off Hokkaido occupied by the Soviets since 1945.

Hiraiwa's position was that "progress in economic cooperation will help resolve the territorial issue."

But at a Jan. 28 press conference, he concurred with the Foreign Ministry's position.

Yet, the Soviet political turmoil has not necessarily dashed all hope among Japanese businessmen for more economic cooperation with Moscow.

Susumu Yoshida, a managing director of Nissho Iwai Corp., said he was impressed by what he described as the open-minded and businesslike attitude of local governors and plant managers at the meeting.

He also said he was relieved by Soviet officials' repeated assurances that the direction of economic reform will not be reversed.

Vladislav Malkevich, president of the Soviet Chamber of Commerce and Industry, who headed the Soviet delegation, stressed in a press conference after the meeting: "We will continuously pursue a policy to decentralize economic power to local governments and corporations, and help them directly contact Japanese firms."

Editorial Urges Further Cooperation With USSR

OW0702120491 Tokyo THE DAILY YOMIURI in English 6 Feb 91 p 6—FOR OFFICIAL USE ONLY

[YOMIURI SHIMBUN 5 February editorial: "Japan-USSR Economic Talks"]

[Text] The Japan-Soviet economic talks failed to produce any significant results except for a broad agreement on Siberian forestry development because of the political situation in the Soviet Union and poor prospects for resolving the territorial dispute.

Japan did agree to import lumber in the Japan-Soviet Joint Economic Committee meeting from Jan. 30 to Feb. 1, but all other major economic projects, including development of crude oil and natural gas off Sakhalin, were left for future negotiations.

The meeting was initially intended to lay the foundation for a future economic relationship between the two countries and as preparation for the visit of President Mikhail Gorbachev in April. It was also supposed to be in step with solving the territorial issue and Japan's assistance planning in support of perestroika reforms in the Soviet Union.

The main reason for any lack of progress was the political upheaval taking place in the Soviet Union. Reformists are rapidly losing political influence to the

.conservative military which is promoting a roll-back campaign and which cracked down hard on the Baltic republics.

Second Thoughts

Because of this political shift, Western countries are having second thoughts about extending economic aid to support Soviet market-oriented economic restructuring. The Soviet side in the meeting insisted that the Soviet Union was determined to preserve perestroika and push ahead toward a market economy.

We, however, cannot help thinking that the reform-oriented policy on which Western nations had great expectations is losing ground. Furthermore, there is a good deal of skepticism that Gorbachev's visit, if it materializes, will produce meaningful progress toward settlilng Japan's claim to the northern territories, simply because Gorbachev's political power is in decline.

It is only natural that Japan is now very cautious toward economic cooperation with the Soviets and is refraining from becoming involved in large-scale projects.

In addition to these difficulties, there are some problems which the Soviet Union should solve in its efforts to expand economic relations.

Serious Obstacles

One serious problem is the confusion in administrative authority among the federal government, the republics and the states. We do not know who to talk to when planning to engage in resource development projects or to establish joint ventures. Also, it is unclear how foreign currency earned through joint ventures should be divided among these three governmental levels.

The property rights of resources are complicated with gold, platinum and diamond deposits owned by the central government, while oil and part of the forestry rights are held by the republics. There is no list available that specifies resource ownership.

In forming a joint venture with the Soviets, basic information is lacking on raw material procurement, industrial water, the level of Soviet technology and the quality of the labor force. Sometimes Japanese firms find it impossible to conduct business in certain parts of the Soviet Union due to insufficient infrastructure.

Nevertheless, Japan-Soviet economic cooperation will continue to be important, particularly in the development of resources-rich Siberia. Both sides must make steady efforts to remove economic obstacles while also resolving political issues.

Long-Time Obstacles to Ties With USSR Remain

OW0402123791 Tokyo THE DAILY YOMIURI in English 3 Feb 91 p 8—FOR OFFICIAL USE ONLY

["Economic Forum" column by Koji Takada, YOMIURI SHIMBUN economic editor: "Soviet Problems Hamper Joint Project"]

[Text] Although the 13th Japan-Soviet Joint Economic Committee meeting in Tokyo last week was the largest to date—involving about 440 Japanese and 120 Soviet delegates—long-time obstacles to improved economic relations between the two countries remain. Overcoming them is largely up to the Soviet Union.

The three-day meeting that started last Wednesday came 25 years after the two sides first got together. The Soviet delegation, reflecting the ongoing decentralization of the Soviet economy, comprised corporate executives as well as leading officials of republics and local governments.

In light of the Soviets' enthusiasm for the meeting and Soviet President Mikhail Gorbachev's scheduled visit to Japan in April, the Japanese side had placed great expectations on the meeting.

As the conference drew near, however, the enthusiasm of members of the delegation, organizaed by the Federation of Economic Organizations (Keidanren) and the Japan Chamber of Commerce and Industry, began to cool.

The Soviet military intervention in Lithuania and Latvia and setbacks to perestroyka fostered a cautious attitude toward economic cooperation with the Soviet Union.

Keidanren Chairman Gaishi Hiraiwa, originally eager to extend assistance, recently said that Japan's business community would have to be prudent in cooperating with the Soviet Union, which could not easily go ahead with projects big enough for Japan to finance.

One of the main obstacles to better economic relations with the Soviet Union is the Japanese government's policy not to separate economic affairs from politics. The business community cannot provide extensive assistance without settlement of the top bilateral political issue—the return of the Soviet-held northern islands.

Most joint projects with the Soviet Union, especially those to develop Siberia, involve such huge amounts of money that Japanese government funds would be necessary.

Security concerns about protecting Japan's know-how in energy development and high technology also pose an obstable. Improved U.S.-Soviet relations had reduced such concerns, although the Baltic issue brought them back to the fore.

Another hitch is the question of whether Japanese businesses can make a profit in joint ventures while dealing with the inefficient Soviet business management system, the ruble's inconvertibility, and the country's ban against taking out foreign currencies.

All of the Soviet Union's reforms are incomplete. Questions of authority—whether the central government or local governments have jurisdiction over any specific matter—further cloud the business climate. The Soviet Union has also delayed payments on arrears of nearly $400 million in imports from Japan.

Joint projects now under study include one for developing oil and natural gas on the Sakhalin continental shelf and one for developing forest resources. Both are important to resource-poor Japan.

Although Japan may need to be more flexible in dealing with the Soviet Union, that country must get its house in order before the projects can be realized.

Paper Reports on Economic Talks With USSR

OW3101225491 Tokyo ASAHI SHIMBUN in Japanese 31 Jan 91 Morning Edition p 9—FOR OFFICIAL USE ONLY

[Text] The Soviet side disclosed noteworthy realities and plans in its keynote report to a plenary session of the 13th Japanese-Soviet joint economic committee meeting at a Tokyo hotel on 30 January. It said: 1) The suspension of the circulation of large denomination notes has made it possible to reduce surplus rubles by approximately 15 percent; 2) while the decentralization of trade proceeds, smuggling crimes have emerged; and, 3) the Russian Republic is studying a plan to participate in the IMF and other international organizations independently. The Soviet side, however, did not give a direct reply to the issue of payments owed for Japanese imports, which was brought up by the Japanese side. Additionally, the Soviet armed intervention in the Baltic states was not debated in earnest.

In the Soviet report, Milyukov, a department head at the Soviet Presidential Office, referred to the suspension of large denomination notes, a policy implemented in practice as a means to curb inflation. He disclosed that "some 7 billion rubles [R] brought out of the country and between R10 and 15 billion in large denominations, which was possessed by the mafia, has been put out of circulation." He added, however, that hoarded cash amounting to R200-250 billion and other surplus rubles "was reduced by only around 15 percent." The surplus rubles constituted a potential inflationary threat.

Milyukov indicated the gloomy outlook that "the shift to a market economy will result in 3 to 4 million jobless people." He also forecast that "in 1991, emigrants abroad are expected to double from the 200,000 people in 1989."

Rakhimbayev, deputy minister of foreign economic relations, on the other hand, said: "The number of registered organizations authorized to engage in direct trade (without going through the central government) reached 24,000 in early December 1990, twice that of January 1990. The amount of trade by these organizations reached R5.6 billion in the first half of 1990, three times the level of the preceding year." He disclosed that, on the other hand, the number of smuggling cases involving lumber, coal, and other products is on the increase.

Meanwhile, Chichikanov, deputy minister of foreign economic relations of the Russian Republic, revealed that his republic is examining plans to participate in the unitary European monetary system, the IMF, and other international organizations. He also expressed the hope that, after the example of the EC, some Asian countries, including the Soviet Far East and Siberia and Japan, will be able to create a "rim of the Sea of Japan union" in the future. Chichikanov added that the Russian Republic is studying its unique economic reform plans. The plans, he said, include those which call for the sale of credits held by the republic among the long-term debts owed to the Soviet Union by Mongolia, the DPRK (North Korea), and other countries, and the acceptance of foreign loans to secure the future of oilfields or diamond mines.

In connection with the Soviet military intervention in the Baltic states, Malkevich, head of the Soviet delegation, said, "It is important that we do not lose sight of long-term reciprocity without being seized by temporary emotions." The Japanese side, however, did not touch on it.

Meanwhile, Isamu Yamashita, chairman of the Japanese committee, pointed out that the unsettled Soviet debts to Japan, amounting to $377 million (as of the end of December), and the vagueness about the contact point office for commercial talks on the Soviet side are "factors impeding economic interchanges between Japan and the Soviet Union." The Soviet side, however, did not offer a concrete answer to this.

USSR Makes New Concessions on Lumber Trade

OW0102173591 Tokyo ASAHI SHIMBUN in Japanese 31 Jan 91 Morning Edition p 9—FOR OFFICIAL USE ONLY

[Text] The Soviets made new concessions to the Japanese on 30 January in regard to the fourth joint Japanese-Soviet Siberian forest resource development project. These proposals were made by the Soviet delegation at the 13th meeting of the joint Japanese-Soviet economic committee. "While highly appraising the bold concessive proposals made by the Soviets at the meeting, on the eve of President Gorbachev's visit to Japan (according to a source of a major trading firm), the Japanese intend to conclude a formal agreement with the Soviets when the president arrives.

The major points of the proposals call for: 1) The export of 6 million cubic meters of lumber from the Soviet Union to Japan over five years—1.2 million cubic meters of lumber each year; 2) the export of machinery by Japan to the Soviet Union to be used for forest development, lumbering, and furniture manufacturing for the first year in return for Soviet lumber exports to Japan; 3) a total trade volume of approximately $1.4 billion (approximately 182 billion yen) and; 4) the limit of poor quality lumber to five percent, or 300,000 cubic meters of total lumber exports. At the meeting, the Soviet side requested that Japan import furniture-manufacturing plywood and semi-processed lumber to be produced by Japanese machinery.

So far, the Soviet side has strongly suggested that Japan import the semi-processed lumber instead of lumber with the intent to increase "the processing degree of export-oriented products." The Japanese side has rejected the request, however, saying that "we will not import any semi-processed lumber." Thus, both sides have failed to narrow their differences over the trade of semi-processed lumber. This time, the Soviets, however, made a major concession at the meeting and offered to export 6 million cubic meters of lumber to Japan which the Japanese have sought.

Despite all of this, there has been no change in the Soviet request to Japan to import semi-processed lumber, but both sides have agreed to discuss this matter in detail in the future.

'Summary' of Interview With USSR's Shatalin

OW0302142791 Tokyo MAINICHI SHIMBUN in Japanese 3 Feb 91 Morning Edition pp 1, 3—FOR OFFICIAL USE ONLY

["Summary" of "exclusive" interview with Stanislav Shatalin, former member of the USSR Presidential Council, now visiting Japan, by Akira Egawa, member of the MAINICHI SHIMBUN Editorial Board, on 2 February at a hotel in Tokyo]

[Text]

Future of Perestroyka

The Soviet Union is in a crisis socially, politically, and morally. The Soviet people—regardless of whether they may be military personnel, leftists, or people of any class— must not waste time. They had better shift to constructive talks from now on to carry out perestroyka. I believe that perestroyka will not be finished even if President Gorbachev ceases to be a leader.

Will President Gorbachev Hold Out?

This is a very difficult question because President Gorbachev is an ordinary man. Quite a difficult avenue is anticipated in bringing the Soviet Union back to the level of an ordinary standard of living. However, the services rendered by President Gorbachev are extraordinarily great, and I think they will go down in history.

President Gorbachev will be 60 in March but, compared with the time when perestroyka was initiated, his hair has become noticeably grayer. It gives a vivid description of the fact that he is receiving punches and denunciations from all directions today. He is in trouble mentally. Both he and I entertain friendly feelings to each other even now; he is a friend and I love him.

President Gorbachev's Support Base

The question now is not who supports President Gorbachev but who he should make his supporters. He may not be Julius Caesar, but the one who must cross the Rubicon is President Gorbachev himself. The composition of the picture is no longer as simple as that intellectuals flock to the leftist faction and the KGB (Soviet State Security Committee) and the military join the rightist faction, as the saying goes. Those who support President Gorbachev are not only radical reformists and neutralists. All the people except for fascists and nationalists must support him. Those who advocate changes in word only are most dangerous, but it is difficult to distinguish them.

If President Gorbachev plans to promote perestroyka further, I will follow him. Slogans alone will not do to draw the general public. He should explain the reality of society into which they are placed and show concrete solutions.

Has Perestroyka Died?

The expression that perestroyka has died is incorrect. We should not simply say "no" and go back to the Stalinist age.

You mentioned post-perestroyka. I think that it is a very good expression. I will use it from now on. It is post-perestroyka in the sense of the "construction" of a new Soviet society.

However, the suspension of the circulation of large denomination notes, which is now in effect, is a totally meaningless measure, and I have a negative view of this policy. The volume of the currency which the government can absorb through this is said to amount to 8 billion rubles. However, mafia funds, which move the blackmarket economy, are said to be 100-120 billion rubles. To the mafias, it is no more than a mosquito bite. If it is left intact, the ruble's credit will only drop further. The ruble will be dead and the Soviet currency system will be completely ruined. This will lead each republic to issue its independent currency, making it impossible to maintain a unified Soviet market.

I do not want to make any particular comment on my 500-Day Economic Reform Plan, but I have advised President Gorbachev to put it into practice with all haste. However, I think that he does not believe any adventurer can create a paradise-like society or switch over to a market economy in just 500 days. I dared to cite the concrete figure of "500 days" because I wanted to make the figure "500" a symbol of reform to the people. It is more difficult to start the 500-day plan than to implement it. Regrettably there are no wise organizations in the Soviet Union to carry the plan into practice.

On Exile

At some place I do not know at all, someone is giving credence to the absurd rumor that I "might seek political asylum." If I should seek political asylum, it would only be in the Soviet Union, and it would be either in Moscow or the town where I once lived.

I do not mind if the rumor about my "political asylum" ends up being only my personal problem. I am afraid someone is trying to aggravate Soviet-Japanese relations on the eve of President Gorbachev's visit to Japan, scheduled for April, in an attempt to make my relations with President Gorbachev go sour. There is a difference of opinion between President Gorbachev and myself, but I do not want this difference to be abused to deteriorate Soviet-Japanese relations.

Plan for Trans-USSR Optic Cable Network Viewed

OW1501014891 Tokyo SANKEI SHIMBUN in Japanse 4 Jan 91 Morning Edition p 1—FOR OFFICIAL USE ONLY

[Text] Officials of the Ministry of Posts and Telecommunications [MPT] and the KDD (International Communications and Telephone) disclosed on 3 January that enterprises of major nations, including Japan, are studying concrete plans for the construction of a trans-USSR continental optic fiber cable network to connect Japan and Europe. The cable would stretch more than 18,000 kilometers. It is necessary to 1) clarify the Soviet Union's investment plan and 2) obtain approval from the COCOM (Coordinating Committee for Export Control) in order to carry out this plan. However, moving ahead of others, the Danish communications industry has started preparations for laying underwater cables between the Soviet Union and Denmark. They are the newest type of optic fiber cables, which can transmit high definition pictures. If realized, the project will bring about, not only contributions to improvement of communications between East and West, but also will become a project on a global scale to symbolize changes in East-West ties of the post-Cold War period.

The Soviet Ministry of Post and Telecommunicatons and the Danish electrical communications enterprise GNTC (Great Northern Company) sounded out the KDD on this plan in April 1989. The plan envisages laying optic fiber cables between Japan (Hamada in Shimane Prefecture), Denmark (Copenhagen), and Italy (Palermo) via Nakhodka and Moscow. The cables partially diverge under water to connect South Korea (Ulung-do). Except for a portion on the Russian mainland, most of the cables will be laid on ocean floors and their total length will be 18,445 kilometers.

The KDD wants to "cooperate, even without making a profit for the time being if the plan is concretized," (according to a top executive). The MPT also plans to support the plan once problems, including the issue of COCOM rules, are solved.

Need for communications network between Japan and the Soviet Union is increasing in recent years and the number of calls has increased to 1.7 times more than that made in the previous year. As opposed to this, there are only 24 communications circuits, including via satellite, between Japan and the Soviet Union. It is lagging far behind the Japan-U.S. communications network, which has 3,634 communications circuits. Currently existing cable under the Sea of Japan was laid (between Nakhodka and Naoetsu) in 1969 and its designed lifespan will end in 1994. Because of this, the KDD will send its top executives to the Soviet Union in late January at the request of the Soviet Union to improve communications circuits between Japan and the Soviet Union.

The KDD says that "it does not mean that use of the cable under the Sea of Japan will be stopped immediately, and we shall probably hold final discussions on the plan to construct a transcontinental cable network," (according to the top executive).

The Soviet Union plans to lay two cables, one for international communications and the other for domestic, on the continent. However, the Soviet authority's investment plan still remains as a pending issue. Summer lightning and landslides caused by the melting of frozen earth in early spring frequently cut cables in that part of the continent. Thus, the Soviet side pointed out their concern regarding the economic nature and dependability of the project.

Moreover, since modern technologies are needed for the project, it is said tha the U.S. Government, in particular, is taking a very serious attitude, expressing its concern that the circuits in the Soviet Union may be used for military purposes. Also, the U.S. Government is concerned at the possibility that the COCOM regulations may be violated.

It is said that due to this hard attitude, the Soviet Union plans to abandon its policy to comprehensively promote the plan and to carry out the project in steps by dividing it into four sections, including domestic and underwater cables. Because of this, the GNTC of Denmark has asked cable makers to submit quotations in order to start laying cables between Copenhagen and Leningrad, where an increase of need for communications circuits is expected. The South Korean side is willing to execute cable laying works for the portion of the Sea of Japan and has agreed to tackle the works as a national project.

The MPT and the KDD said: "There are many measures if the Soviet side spells out improvements." It seems that an attempt to realize the project will be made in a single spell, depending on the outcome of the consultations, slated to be held late January, between the Soviet side, the MPT, and the KDD.

U.S., China Seeking Land on Southern Kuril

OW1102144491 Tokyo TOKYO SHIMBUN in Japanese 9 Feb 91 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] Regarding the northern territorial issue, Shozo Kusakawa, member of Komeito's National Council, pointed out that there were eight cases in which industries of third nations were promoting negotiations with Sakhalin Oblast of the Soviet Union to acquire land on southern Kuril, including the four northern islands. He made the remarks based on independent investigations, at a lower house Budget Committee meeting on 8 February. He asked: "Would it not create complications for Japan's negotiations for a return of the territories?" Thus, he inquired into the government's countermeasures.

According to Mr. Kusakawa, industries and commercial groups of the United States, China, and South Korea are promoting negotiations [with the Soviet side]. They reportedly have acquired rights to build hospitals, schools, houses, and marine products processing facilities, and are promoting negotiations on construction of recreation facilities. In response, Kondo, Foreign Ministry European and Oceanic Affairs Bureau chief, admitted that he had already obtained information on behalf of the negotiations. He then disclosed that he had notified the Foreign Ministry that "the four northern islands are inherent territories of Japan, so we cannot accept the administrative measures, including approval for construction and operations."

Mr. Kusakawa pointed out: "Because the plans are being promoted, it will be troublesome if the foreign enterprises obtain vested rights. We should start investigations in order to make countermeasures quickly."

According to information Mr. Kusakawa obtained, it is not clear if all eight cases are connected with the four northern islands.

Fukui Accident 'Disastrous' for N-Power Industry

OW1202213591 Tokyo JIJI in English 1316 GMT 12 Feb 91—FOR OFFICIAL USE ONLY

[Text] Tokyo, Feb. 12 (JIJI PRESS)—The recent nuclear reactor mishap in central Japan is jolting the domestic power industry which has been rethinking its energy output portfolios with more stress on atomic energy.

The accident, which hit a Kansai Electric Power Co. plant in Mihama, Fukui Prefecture, is disastrous for the industry promoting nuclear power output, Chairman Sho Nasu of the Federation of Electric Power Companies said Tuesday. Each electric power firm should have much to learn from the case and take all possible steps immediately to prevent a recurrence, said Nasu, also president of Tokyo Electric Power Co.

The No. 2 pressurized water reactor (PWR) in Mihama on the sea of Japan malfunctioned Saturday afternoon with a crack developed in a steam generator, which caused a large amount of primary cooling water to run into the turbine-generating secondary cooling water system.

The Fukuki Prefectural Government later denied the possibility of crippling effects on the environment. Kansai Electric predicts there will be several months before the 500,000-kilowatt Mihama reactor resumes operation. An industry source said the operations of PWRs run by other power firms will be severely affected depending on the results of investigations into Saturday's case.

A total of 17 PWRs including the trouble-hit reactor are in use at Kansai Electric and four other power firms—Hokkaido Electric Power Co., Shikoku Electric Power Co., Kyushu Electric Power Co. and Japan Atomic Power Co. of them, four reactors have been out of operation for regular checks. These firms all brace for a cutback in atomic power production, which stems from reviewing respective reactors' steam generators and overhauling defective components, the source said.

For the first half of last year, Kansai Electric depended on PWRs for 38.5 percent of the entire power generation, Shikoku for 37.5 percent, Kyushu for 32.3 percent and Hokkaido for 13.8 percent. The five firms are likely to feel the pinch of power supply shortage in summer months of peak power consumption, the source said.

Diet Discusses Gulf, Future, International Role

OW0902093391 Tokyo THE DAILY YOMIURI in English 8 Feb 91 p 6—FOR OFFICIAL USE ONLY

[YOMIURI SHIMBUN 7 February editorial: "Diet Debates Gulf War"]

[Text] Debate in the House of Representatives is quite naturally concentrating on the Gulf conflict rather than on the fiscal 1991 budget, but regrettably, the U.S.-led multinational forces' purpose in waging this war is too often ignored.

When discussing the Gulf war, one should always remember that the multinational forces are fighting against Iraq to restore international order and support U.N. resolutions. Japan has the responsibility to support this effort. Without this understanding, no discussion will be accepted by the international community.

In this respect, we regret that the Social Democratic Party of Japan [SDPJ], formerly the Japan Socialist Party, has opposed Japan's support of the multinational forces from the beginning and has stressed only Japan's peculiarity.

The SDPJ is irresponsible in not mentioning that Japan stands in danger of being isolated in the world and causing bad relations with the United States. The SDPJ's arguments contrast sharply with those of the Democratic Socialist Party.

Playing Politics

The government has made clear that the additional $9 billion contribution to the coalition will not be used for weapons or ammunition, but only for such things as transport and food supplies. The propriety of restricting the use of the money, when the multinational forces are shedding blood to restore peace in the Gulf, is doubtful. Nevertheless, the contribution would be best used for nonmilitary purposes.

The government's policy is obviously calculated to woo support from Komeito. However, Komeito Secretary General Yuichi Ichikawa said in Diet interpellations that his party was considering what will be best for the party in the campaigns for the unified local elections in April and that some members insisted that opposition to the contribution would be politically advantageous.

This is a surprisingly frank remark for a party leader to make. However, the Diet should not be concentrating on the local elections or even on the possibility of Prime Minister Toshiki Kaifu's cabinet resigning. Komeito and other parties should be considering what is best for Japan's future.

Covering Costs

Taxes will have to be increased to raise the money for the additional contribution, if the people are to share the costs equally and at a minimum amount. The government should also cut expenditures to keep this tax burden as light as possible.

Another issue is the use of Self-Defense Forces [SDF] planes to evacuate refugees from the Gulf region. What is important here is to examine what can be done by Japan in this crisis. SDF planes dispatched to the Gulf would be an exceptional emergency measure based on humanitarian considerations.

There are those who argue that the use of SDF planes on humanitarian missions would open the way for the dispatch of the SDF abroad for military purposes. Such arguments are deliberate attempts to mislead the nation.

In the future, the Diet should revise laws to enable the SDF to be sent overseas in case of natural calamities or to help refugees as its duty.

JSP May Use War Issue in Local Elections

OW2701103691 Tokyo THE DAILY YOMIURI in English 26 Jan 91 p 3—FOR OFFICIAL USE ONLY

["Political Beat" column article by Hitoshi Matsumoto: "JSP Ready To Use War Issue"]

[Text] The Japan Socialist Party [JSP] is ready to use as the key dispute in the upcoming unified local elections the controversial issue of dispatching Self-Defense Forces [SDF] planes to transport refugees from the Gulf war.

The tactic is reminiscent of the way the largest opposition party used the consumption tax as a weapon to counter the Liberal Democratic Party [LDP] in the Diet elections.

The JSP's most recent maneuver apparently takes advantage of the fact that a portion of the public mistakenly believes the dispatch of Air Defense Force transportation planes constitutes the dispatch of SDF troops.

The JSP has lost no time in establishing a special project team to effectively launch a campaign squarely centered on this subject. A leading party member, who is also on the Central Executive Committee, admits that the party had a hard time "choosing" the central issue in the unified local elections, adding that the SDF plane dispatch proposal may serve as a "windfall" for the JSP.

Komeito, which immediately responded to the JSP move, suffered a severe setback in the Diet elections since it was regarded as an LDP "supporter" during the consumption tax dispute.

Following the scrapping of the U.N. Peace Cooperation Law in the extraordinary Diet session last autumn, Komeito reached an agreement with the LDP and the Democratic Socialist Party [DSP] that the three parties would jointly make efforts to work out new measures for contributing to the resolution of the Gulf crisis.

Based on this agreement, the LDP believed that Komeito, along with the DSP, would support it since the use of SDF planes would be conducted on a humanitarian level. Explaining its retreat from a cooperative stance, a Komeito leader said the party had to be cautious about the SDF plan because the JSP intended to use it as a tool in the upcoming elections.

A similar mode of thought, though still latent, is growing within the LDP. Most LDP Diet members have thus far remained calm since no Diet election is expected in the near future. However, fearing a severe loss at the local polls, a number of the party's members on local assemblies are opposed to the SDF plane dispatch plan even though they believe LDP policy regarding the Gulf war to be reasonable.

According to the LDP Policy Research Council chairman, the proposal to send SDF planes to the Gulf has nothing to do with being either a dove or a hawk. Rather, it addresses the more profound question of Japan's role in the international scene and its contribution to resolving the current crisis.

LDP General Council Chairman Takeo Nishioka also asserts that toward this end Japan and the LDP may have to make tough decisions which draw public criticism for the short term.

* Changing Role in New International Situation

912A0094A Tokyo ECONOMY SOCIETY POLICY in Japanese Dec 90 pp 2-5—FOR OFFICIAL USE ONLY

[Interview with EPA Director General Hideyuki Aizawa by NHK newscaster, Midori Miyazaki; place and date not given]

[Text] **Problems Erupt Because of the Middle East Crisis**

[Miyazaki] Whatever you say, the Middle East crisis is the subject of the greatest attention in the international situation these days, isn't it? Japan's response to this crisis has also been debated extensively. There have been frequent periods of great tension before now in the Middle East but this time the situation has, I think, a special characteristic in the point that it is becoming a structural crisis that has drawn in the entire world. What do you, Aizawa, think about the response to this current Middle East crisis?

[Aizawa] If I respond in the limited sense of what influence this has on the Japanese economy, if one compares it to the times of the first and the second oil crises, the degree of our dependence on oil has diminished and as of the present time it has not had a great effect on our economy. However, if the Middle East crisis becomes a long-term proposition, we also fear an acceleration of inflation and furthermore, because it is believed that there will be great influence on the world political and economic situation, we must resolve this quickly and moreover, peacefully. The government has already decided on financial support of $4 billion and it is necessary to provide not only economic assistance but also to make some more tangible contribution.

But, we should also take note of the fact that this crisis has occurred in the midst of a huge change in the international political framework. In the world until now we had the situation where as long as the United States and the Soviet Union were the two superpowers, other nations were not easily able to interfere, but conversely that situation preserved the world balance, I think. But, entering the post-Cold War era that tension has been broken and rather it is now thought that it has become easier for localized trouble to break out. The present Middle East crisis is one manifestation of that, I think, and those types of troubles probably will continue in the future.

The Role Expected of Japan

[Miyazaki] With the decline in the power of the two superpowers, the United States and Soviet Union, that means there will be a continuing relaxation of the tensions in international politics and that there will be an increase in the number of major players in international society, doesn't it? But I also think that at the same time it means a dramatic heightening in the expectations for the role that Japan will be expected to play.

[Aizawa] Yes, that's right. Even limited to economics it becomes quite evident that there is a tri-polar structure composed of the United States, Europe and Asia, with Japan at its center. Furthermore, with the continuing relaxation in the East-West confrontation, the North-South problem continues to be serious and Japan is being called on to play a positive role also in the area of economic cooperation.

[Miyazaki] Japan's influence is very large, I think even more than is perceived by Japanese here at home. There is no other country that has all three important requisites in place—technology, human assets and capabilities, and not just huge capital resources, "Japan money." The United States is suffering from the twin deficits and Germany, too, has the old "East" problem.

[Aizawa] However, if you say that Japan has absolutely no economic problems, I would argue that that is not the case. Particularly the large imbalance in trade accounts between the United States and Japan continues as before, and we must resolve the problem in the differences between foreign and domestic prices. Even in the recent dramatic drop in stock prices too, we have a problem that cannot be simply cleared up with expressions such as the bubble burst. The Economic Planing Agency (EPA) is also studying these problems carefully and it is necessary to devise appropriate policies.

Furthermore in order to be able to respond to upheavals in the world situation we probably have to rethink some of our fixed notions and make political policy decisions more flexible. The idea that if the United States raises its hand, then Japan will also do so will no longer suffice. Regarding global questions too, a position where we act based on our own decisions is called for.

[Miyazaki] The present Middle East crisis has shown us the necessity of rethinking Japan's crisis management system, hasn't it?

[Aizawa] I think the time has come where Japan too, will behave like an "adult."

European Situation After German Reunification

[Miyazaki] Just at the very instant of the reunification of East and West Germany I was at the Brandenberg Gate gathering material on assignment (on the evening of 2 October) and what I felt was that the reaction of the German townspeople was extremely cool. For the Germans, it seemed that even more than unification it was the restoration of sovereignty itself that they should rejoice in. That was because they had gone through 45 postwar years of pain of not being able to decide things for themselves.

In addition, the "mental wall" between East and West Germany still remains. The people of the West are conscious of having to raise the East Germans to their level and because the East Germans are very sensitive to that consciousness on the part of the West Germans, it seems they feel inferior to them. My view is that this kind of problem of consciousness will continue.

[Aizawa] One more problem of German reunification is how the neighboring European nations will parry the strong unified Germany that will take a place at the center of the European stage. I wonder if in fact this is not being perceived as a big threat?

[Miyazaki] It seems that feeling is especially strong in France. I had the opportunity to ask the opinion of French delegates to an international conference that opened in Berlin, and the attitude that they displayed superficially was that they would welcome it, but I was able to discern that they seemed to believe it to be a threat. That's because there's also the famous joke: "I like Germany. I like Germany so much that I wish there were two of them."

Concerning the problems that Europe confronts at present it seems there is increasing interest in the question of who will seize the initiative among Great Britain, France and Germany in promoting the unification of the EC in 1992. It seems that there are those who say this will lean toward Germany, but as you would expect, in fact, isn't this the problem of how the other countries will view this?

[Aizawa] Among them, Great Britain is probably concerned about it, isn't it? Immediately after German reunification their thinking on unification of the EC changed considerably, I think.

[Miyazaki] Now, what kind of influence will recent movements in Europe, including things like this German reunification have on Japan's economy?

[Aizawa] There have been any number of trial calculations using macro-measurement models, and I think German reunification has a positive effect on the Japanese economy. And, for the world economy too, it is alright to believe that it is fundamentally desirable for Europe, as one of the three poles in the tri-polar structure, to strengthen its economic power to rank with the United States and with an Asia with Japan at it's core.

Support for East Europe on the Important Soft Front

[Miyazaki] Old East Germany has a good partner in old West Germany, but there is no country in the West to be the partner of the other East European nations that are promoting liberalization. On that point, I wonder if in fact these nations aren't sending out one kind of love call to Japan.

[Aizawa] Yes, they are. I visited Poland and Hungary last year and since becoming secretary general of the EPA I have received expressions from people from any number of East European countries such as Yugoslavia and Czechoslovakia. However, when you exchange opinions with them you understand that what they want from Japan even more than money or things is the know-how for economic management. It appears that the Eastern European nations hope for help from Japan in the soft areas such as how they should operate their economy or how they can improve the efficiency of their enterprises. Japan must respond positively to these kinds of requests.

[Miyazaki] The scale of enterprise in East Europe does not seem particularly large, does it? Because there is also an aspect to the Japanese economy where it is as if it has been created by small and medium enterprises, I think we can also take the view that technical transfer and transfer of managerial know-how will go smoothly.

[Aizawa] In addition, I think the Eastern European nations provide an excellent investment opportunity for Japanese enterprise. That's because there is a high technological level and a plentiful cheap labor force. Until now, Japanese enterprises, even if they tried to move into Eastern Europe, had to consider political factors and very high risk, but that situation will likely change greatly from here on.

[Miyazaki] It appears that the item of single-most interest in Berlin city planning at the moment is the problem of what do to with the use of the land where the Berlin Wall was. This concerns the question of how to employ this large amount of land located in this first class area, and in the West in part there is also movement suggesting there should be a law regulating investment and warning of a movement to buy up the land for speculative purposes. However, on the other hand, in the East they are so desperate for foreign capital that an interesting phenomenon has appeared in that they are opposed to limits on investment.

The United States-Japan Relationship in the Post SII Era

[Miyazaki] Well then, what about the Japan-United States relationship? The SII (Structural Impediments Initiative negotiations) too, are at present in the follow-up phase after the issue of the final report, but what kind of thinking do you have on the SII talks, Minister Aizawa?

[Aizawa] The first time I was personally involved with the SII talks was in the last half phase and it as you know it was the EPA that was at the heart of creating the Y430 trillion "Basic Plan For Public Investment." Besides that, our thinking has been incorporated into important policies adjusting the structure of the Japanese economy, such as the reexamination of the Large-Scale Retail Stores Law and the strengthening of anti-monopoly policies.

It is certainly not necessarily required that the foreign balance of payments be exactly in balance with each of the various countries. Japan has a deficit with the Middle East countries because it imports oil, but if there is an overall balance there ought not to be a particularly big problem. In reality, we have made a number of efforts on the policy front and the macro-surplus in the balance of current accounts is shrinking faster than we anticipated.

However, as you know Japan, has become a great economic power, but when you look at the situation of a huge trade surplus with the United States it is reasonable to expect that the United States will demand all kinds of benefits from Japan. I think that there was this kind of irritation on the U.S. side that was behind the origin of the SII negotiations. However, there is no guarantee on how effective even SII will be in shrinking surpluses with the United States. There is no guarantee, but Japan is working as hard as it can to correct the imbalances and it is probably necessary to alleviate the irritation on the part of the United States. The EPA has even set up a "roundtable discussion on the current Japan-United States balance of current accounts and its outlook," and has been studying policy to correct the imbalance with the United States.

[Miyazaki] But, if the surplus gradually shrinks won't that likely cause problems in the area of assistance to Eastern Europe and the developing nations?

[Aizawa] There is no direct relationship between surplus or deficits in the international balance of payments and economic assistance, but there is probably irrationality in continuing to provide economic assistance to other countries when you have a deficit in your balance of current accounts. I support the argument that says use the surplus, but in any case, we must study a policy for actively using Japan's savings for world economic development.

The Posture Demanded For International Cooperation

[Miyazaki] I think that in the road ahead for the Japanese economy there will be a number of cases where we will be pressed to choose between national interest and cooperation. Of course the situation will be different for each case, and I think there will be a variety of choices, but it is possible that there will be an increase in the number of cases where we will have to sacrifice national interest to some degree and place the weight on cooperation.

[Aizawa] I think that will be the case. Since the political and economic position that Japan occupies in the world has become this important, we can probably no longer get by with such thinking that says we can proceed as long as it is merely alright with Japan. In the area of policy administration, too, I don't think there has been an era that calls for changes in thinking to the extent the current one does.

LDP Leader Hints Defense Spending Negotiable

OW3001120491 Tokyo SANKEI SHIMBUN in Japanese 27 Jan 91 Morning Edition p 1—FOR OFFICIAL USE ONLY

[Excerpt] On the evening of 27 January, a top leader of the ruling Liberal Democratic Party [LDP] said: "Although it is impossible to rearrange the fiscal 1991 budget, the midterm defense buildup program beginning next year is for a five-year period and the fiscal 1992 budget can be put to a study (for reductions)." The LDP leader made this remark in reference to Komeito's call for reducing defense and other spending and appropriating funds as a source of revenue for Japan's additional assistance to the multinational forces in the Gulf.

He also said: "To win the Diet's approval of the supplementary budget and its related bills, we need the cooperation of the Komeito." He thus expressed the view that the LDP finds it inevitable to make concessions to the Komeito in order to secure the Diet's approval of bills at the House of Councillors, where majority and minority positions of government and opposition camps have been reversed. [passage omitted]

Fall Election May Result in Faction Realignment

OW1301101791 Tokyo THE DAILY YOMIURI in English 12 Jan 91 p 2—FOR OFFICIAL USE ONLY

[Text] This autumn's election may force the ruling Liberal Democratic Party's intraparty factions to realign, according to political analysts.

Last year, the party's General Council discussed political reforms and proposed an electoral system that combines a single-seat constituency with a proportional representation system in the House of Representatives.

Koichi Hamada, chairman of the Public Relations Committee, was doubtful that a political cleanup would be possible with the present intraparty faction rivalry intact, but Tsutomu Hata, chairman of the Election System Research Commission, said the factions would eventually be eliminated through the single-seat constituency system.

The present multiple-seat constituency system may have helped the five intraparty factions—led by former Prime Minister Noboru Takeshita, former Secretary General Shintaro Abe, former Deputy Prime Minister Kiichi Miyazawa, former Policy Research Council Chairman Michio Watanabe, and former State Minister Toshio Komoto—develop.

If a single-seat constituency system is introduced to the lower house, and if political funds are channeled only to the party rather than to individual members, the existing intraparty factions would eventually dissolve.

A senior Takeshita faction official speculated that even without political reforms, the factions will realign, this autumn at the earliest, in connection with the election of the next party president.

A growing concern within the party over the old age of the faction leaders (Komoto, 80; Miyazawa, 72; and Watanabe, Takeshita, and Abe, all 67) means any of these leaders could be replaced by younger ones.

Secondly, those factions which fail to field any major contenders for the presidential post would become less influential. This combination could trigger moves for the reshuffling of factions. Developments within the faction led by ailing Abe will be especially interesting.

"Nobody could possibly replace Abe as the faction leader," a faction member said recently. If the faction is forced to choose Abe's successor, insiders say the faction would split in two one side led by former Policy Research Council Chairman Hiroshi Mitsuzuka and Yoshiro Mori, and the other by current Policy Research Council Chairman Mutsuki Kato.

Disintegration is also possible within the Takeshita faction, the largest faction with over 100 members, where bad blood is rumored between a Takeshita clique and a clique led by former Deputy Prime Minister Shin Kanemaru and LDP Secretary General Ichiro Ozawa.

More daring speculators whisper that the rivalries within the Takeshita and Abe factions could make Kato join Kanemaru to form a new faction. Takeshita would then throw his weight behind Finance Minister Ryutaro Hashimoto, Kato's rival in the same constituency. The shakeup would continue with Mori and Mitsuzuka, at odds with Kato, shifting into Takeshita's camp.

The Miyazawa faction has also been plagued with its own intrafaction fireworks, with some members wanting to rally behind Miyazawa as the next president, while others criticize the faction for letting too many new members join in, including former General Council Chairman Takeo Nishioka and Yohei Kono, one-time director general of the Science and Technology Agency, both past members of the New Liberal Club, a LDP splinter group.

It is also questionable how the Komoto faction, which backed Toshiki Kaifu for prime minister over Komoto, will be able to manage in light of a move toward a post-Kaifu era.

Takeshita Faction To Continue Supporting Kaifu

OW1301062591 Tokyo MAINICHI SHIMBUN in Japanese 31 Dec 90 p 2—FOR OFFICIAL USE ONLY

[Text] The Takeshita faction [chairman: former Deputy Prime Minister Shin Kanemaru], which is the largest faction in the Liberal Democratic Party [LDP], will continue to support the Kaifu government in 1991, the last year of Prime Minister Kaifu's tenure as president of the LDP, while strengthening its influence over the government.

Behind this choice is the fact that the faction really has no suitable replacement for Kaifu. There are whispers within the faction that former Prime Minister Takeshita may return to power or that Kanemaru may assume power temporarily. What appears certain is that the fortune of the Kaifu government for 1991 depends on what the "King-maker faction" will choose to do.

In a faction get-together meeting on 21 December, Chairman Kanemaru said: "I have received criticism on the state of my relationship with (former Prime Minister) Takeshita, but it can never happen that I and Takeshita go separate ways. It is a task given to us that we must unite in supporting the present cabinet and advance toward the direction desired by the people." He thus indicated that the Kaifu government will continue to be supported by the "two-wheeled system" of Kanemaru and Takeshita. Former Prime Minister Takeshita also was unhappy with some people sympathetic to the Watanabe and Abe factions, which were intensifying criticism of Kaifu in the drama of "running in all directions for a cabinet reshuffle." He was so unhappy that he warned one of his faction leaders that such a trend can lead to "a move to pull the cabinet down altogether."

Meanwhile, what concerns Prime Minister Kaifu most is that support for him is mostly "passive" as evidenced in the remark of Mr. Kanemaru: "They talk about replacing Prime Minister Kaifu, but who do we have to replace him?"

Although a leader of the faction said that "the basic stance of our faction is to continue to support Kaifu", there are also emerging voices that "we cannot be safe with Prime Minister Kaifu." The possibility cannot be denied that someone will jump out, declaring he will play the leading part by replacing Prime Minister Kaifu.

There are whispers within the party that Takeshita may be coming back. According to this theory, the cabinet will be reshuffled following the end of the ordinary session of the Diet, and Diet members connected with the Recruit case will be included in the new cabinet—in an act of cleansing Takeshita who stepped down from government as a result of the Recruit scandal. This in effect can open a way for him to return to power.

There have recently been voices (from those close to Mr. Takeshita) saying that "should the political situation under Kaifu fall into confusion and get out of control, it is possible that Mr. Takeshita will take over." In addition, Mr. Takeshita's intention to exercise his influence has been conspicuous recently. With all these factors combined, talk about his possible return somehow does not sound too far-fetched.

What is also possible, on the other hand, is Kanemaru taking over the government for an interim period. A group of people born in the era of Showa who are pushing for a change of generation in leadership do not want the power to return to people of the generation of the Taisho era, like Mr. Takeshita. They do not want the present cabinet, led by Kaifu of the Showa era, to be replaced by Taisho-era people like Mr. Takeshita. They would rather have in power, if temporarily, Kanemaru who is a generation older than Takeshita.

However, both of these possibilities undoubtedly have drawbacks. As a leading member of the Takeshita faction noted: "What will the general public think of the comeback of Takeshita? In addition, Takeshita cannot move toward a comeback unless people in other factions want him to do so. Meanwhile, I do not think Kanemaru will accept to head an interim government. He has health problems, and it is questionable whether he can handle the Diet interpellations. It is better that he remains as a don of the LDP."

Anway, there seems to be no doubt that the political scenes of 1991 cannot be talked about without talking about what the Takeshita faction will do.

LDP Members Vie for Post-Kaifu Leadership

OW1201103491 Tokyo THE DAILY YOMIURI in English 11 Jan 91 p 2—FOR OFFICIAL USE ONLY

[Text] A struggle is underway within the Liberal Democratic Party [LDP] between the party's younger politicians and its senior faction leaders as the search for a successor to Prime Minister Toshiki Kaifu gains momentum, according to political experts.

Chief among those seeking to consolidate their support and push their way into the political limelight is LDP secretary general, Ichiro Ozawa, 48, a key member of the Takeshita faction, who is now regarded as the most likely candidate to succeed the 60-year-old prime minister.

Ozawa has taken great strides in establishing himself as the LDP's front-runner, strengthening his alliance with Kozo Watanabe, 58 former Prime Minister Noboru Takeshita's righ-thand man, and Toshio Yamaguchi, 50, from the faction led by Michio Watanabe. Ozawa was also given the opportunity to demonsrate his political power by engineering the Dec. 29 cabinet reshuffle.

But Ozawa's power stems not from his factional alignment but from the support of LDP kingpin Shin Kanemaru, 76, who stands outside the four mainstream factions, exerting tremendous influence within the party, nonetheless. It was through Kanemaru that Ozawa received the right to reorganize the cabinet and it is Kanemaru who appears to be paving the way for Ozawa's promotion to the LDP presidency.

Kanemaru, who says he is simply too old to become the party president, has resigned himself to his position as power broker and is concentrating on overseeing the accession of a new generation of LDP leaders.

"In order to invigorate Japanese politics, senior politicians must retire and give way to younger people," Kanemaru remarked before LDP members attending a Dec. 20 party.

But Ozawa's political gains are fueling tensions within the Takeshita faction, although insiders say personal differences between Ozawa and Takeshita, 66, are the central cause of friction between the two.

"Takeshita seems a bit annoyed with Ozawa's outspoken manner," noted one senior Takeshita faction member.

Other observers, however, say Ozawa's rapid rise has Takeshita looking over his shoulder.

"Takeshita will be a name of the past if Ozawa becomes prime minister and that's what Takeshita fears most," said an executive member of the Watanabe faction.

Takeshita's anxiety is said responsible for the retention in the cabinet of Finance Minister Ryutaro Hashimoto, 53, another key figure in the Takeshita faction and Ozawa's arch-rival. Insiders say Takeshita insisted Hashimoto retain his key cabinet post to prevent Ozawa's inner-party influence from growing beyond Takeshita's control.

Neither Hashimoto nor Ozawa has emerged as the clear victor in the internecine struggle and neither man has announced his candidacy in the LDP presidential race to take place when Kaifu's term expires in October.

The contests within other factions lacking the centrifugal influence of a figure like Kanemaru are much murkier by comparison, and the struggle by younger politicians to seize control is a bitter one.

In the Miyazawa faction, former Defense Agency Director General Koichi Kato, 51, and former Science and Technology Agency Director General Yohei Kono, 53, are competing to succeed former Finance Minister Kiichi Miyazawa, 71.

While Kato appears to have the lead, many LDP politicians are witholding support from Kato because of his lack of experience in handling delicate party affairs.

The picture within the Abe faction is one of waning influence, even though its head, former LDP Secretary General Shintaro Abe, 66, is considered next in line to succeed Kaifu.

Abe, however, has been suffering from failing health recently and neither of his faction's top deputies, former LDP Policy Research Council Chairman Hiroshi Mitsuzuka, 63, or former Education Minister Yoshiro Mori, 53, has been able to launch campaigns to win control of the faction.

The Abe faction is, as a result, in the midst of a political torpor that has effectively eliminated it from the race for the LDP presidency. "No one in our faction can run for the LDP presidency in October. Maybe someone from the Abe faction will be able to enter his name in the race two administrations down the road," said one senior faction member dejectedly.

Political experts note that the party presidency may still be out of reach for the up-and-coming, middle-aged LDP politicians. It is evident, however, that power is slipping out of the hands of the older party leaders and into those of the new generation. Observers say that the baton of Japanese politics has been passed, willingly or not.

ASAHI Reviews Candidates for LDP Leadership

OW1101232391 Tokyo ASAHI EVENING NEWS in English 10 Jan 91 p 6—FOR OFFICIAL USE ONLY

[By Teiji Onodera]

[Text] There will be challengers to Prime Minister Toshiki Kaifu when he seeks reelection as president of the ruling Liberal-Democratic Party (LDP) in October. A consensus was reached on this view late last month among middle-rank members of the LDP factions when they met to discuss an imminent Cabinet reshuffle.

Among the probable challengers mentioned were factional chiefs Shintaro Abe, 66, Kiichi Miyazawa, 71, and Michio Watanabe, 67, and younger aspirants: LDP Secretary-General Ichiro Ozawa, 48, Finance Minister Ryutaro Hashimoto, 53, former Foreign Minister Hiroshi Mitsuzuka, 63, foremr Education Minister Yoshiro Mori, 53, and Shintaro Ishihara, 58, co-author of the controversial book "The Japan That Can Say No."

The actual list of candidates cannot be this long. For example, if Abe runs, it will preclude candidacies by Mitsuzuka and Mori, both senior members of the Abe faction.

Candidacies by Ozawa and Hashimoto are also unlikely. To challenge Kaifu, they will need the support of the largest LDP faction of former Prime Minister Noboru Takeshita, to which they belong. But to back either of them could risk splitting the faction. The majority view within the party is that the Takeshita group will not put up its own candidate.

Despite his rapidly growing clout, Ozawa is dropping hints that he is not in a hurry to seek the presidency. Hashimoto is popular with the public but the intraparty support for him is less than enthusiastic, a fact that is supposed to reflect his relative detachment about helping factional colleagues financially and otherwise to cultivate loyalty.

Holding the key to the presidential contest are Takeshita and Shin Kanemaru, chairman of the Takeshita faction, who are calling the shots behind Kaifu. Political commentator Shigezo Hayasaka, who served former LDP strongman Kakuei Tanaka as a secretary and is versed in party affairs, says it is not necessarily in the interests of Takeshita and Kanemaru to replace Kaifu, 60, with someone younger. If so, it makes candidacies by Ozawa and Hashimoto even more unlikely.

Then, who will run? Abe, former LDP secretary general, is thought to have the best chance to succeed Kaifu as he can count on Takeshita's support. But he has a health problem lingering from a bile duct operation in May 1989. "The recovery of his health is the prerequisite to everything," says Mutsuki Kato, chairman of the LDP Policy Board and a senior member of the Abe faction. "He will devote himself to gaining more stamina for some time," another aide says.

Miyazawa, former finance minister, is thought to be wavering like Hamlet about whether to make what could be his last bid for the party presidency. The prospect for his candidacy is not favorable. For one thing, his faction is not getting along with the Takeshita group despite his personal attempt last summer to improve ties with Kanemaru, an LDP strongman.

Moreover, Miyazawa lost face when his demand that Takeo Nishioka, chairman of the LDP Executive Board and a member of his group, be replaced with a factional colleague as part of a party leadership reshuffle in December was rejected by Kaifu.

"Box-office receipts decide who is a good actor, so I'm going to be a scriptwriter," Watanabe, also former finance minister keeps saying as if he was willing to give up the premiership to someone else, carving out a status of party strongman for himself.

Still, the factional leader, notorious for slips of the tongue, is being careful about his languague in apparent preparation for the contest in October.

A common problem for Abe, Miyazawa and Watanabe is their involvement in the Recruit stocks-for-favors scandal. Kaifu made the most of it when he refused to appoint politicians implicated in the Recruit affair and the earlier Lockheed payoff scandal to his new Cabinet last month, thus blocking the rehabilitation of their bosses.

* Movement Takes Shape for Kaifu Successor

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[Articles by YOMIURI SHIMBUN Staff Reporters]

[3 Jan 91 p 3]

[Text] At the end of this coming October, Prime Minister Toshiki Kaifu's term as president of the Liberal Democratic Party [LDP] will expire. The new year has begun with the various rival factions within the LDP scrambling to determine the shape of the post Kaifu government. A number of critical domestic and international issues face the administration in the coming months. If Prime Minister Kaifu and his cabinet make any wrong moves in addressing such issues as political reform, Soviet-Japanese relations, or the liberalization of the rice imports, they could be used as an excuse for his ouster. Administration policy on these issues could be a matter of political life or death. "Last year there was an upheaval in international politics; this year it will spread to Japanese domestic politics." This remark by an astute observer has left everyone wondering what the political scene will look like in 1991.

The prime minister finished the late year reorganization of his cabinet on the evening of 29 December. A pall hung over the office of the prime minister's own Komoto faction. Only one member of the faction remained in the cabinet: Chief Cabinet Secretary Misoji Sakamoto. When he and Deputy Secretary Toshimori Ohshima made a visit to the faction office, they received few handshakes from those present.

The prime minister has the constitutional right to choose his own cabinet, but the heads of the various LDP factions will continue to undermine his authority with these "annual reorganizations." Former Prime Minister Noboru Takeshita, who knew intuitively that Mr. Kaifu could be worn down, is publicly very ill at ease with these so called "efforts to overthrow cabinets." As a result of the cabinet reshuffling, the Komoto faction has been supplanted by the Abe faction. The Abe faction is now in a better position to influence the outcome of a post Kaifu cabinet. The Komoto faction has been left only with the position of chief cabinet secretary. Moreover, Prime Minister Kaifu is now more heavily dependent on the Takeshita faction, the largest LDP faction which, according to malicious rumor, is led by the "figurehead" Takeshita but is actually controlled by former Deputy Prime Minister Shin Kanemaru. This became more apparent leading up to the recent cabinet reorganization.

A few of heavy sighs of resignation have been heard from members of the Komoto faction: "Since a certain amount of hardship comes with the exercise of political power, we should take what has happened in stride and fight on." There is a certain uneasiness about the future of the Kaifu cabinet, for many remember how Prime Minister Miki was worn down by interfactional disputes. Some believe the same scenario is in store for Prime Minister Kaifu.

Many factors lend support to these feelings of uneasiness. Some observers believe that the cabinet reorganization substantiates the opinion that a change in political power will take place in May. This view has been gaining momentum since it was first promulgated in late November. The London summit in July is seen as a perfect international debut for a new Japanese prime minister, and this fact has fueled more speculation.

A central figure in the Watanabe faction foresees a rapid onslaught of efforts to wear down Mr. Kaifu. "The prime minister faces two hurdles this spring which may determine whether or not he remains in power: the nationwide regional elections in April and political reform. In addition to these issues, there is the task of constructing a new international assistance bill to take the place of the United Nations Peace and Cooperation Act. The issue of liberalizing rice imports could also lead to his downfall." This same official also predicts that "Kaifu grinding" will reach its peak "just before or after the May recess."

Last autumn's United Nations Peace and Cooperation Act exposed the prime minister to much sharper intraparty criticism of his leadership ability. Certain elements in the party opposed his strong arm tactics which were reminiscent of a Kanemaru or Kozawa. One senior party consultant called Mr. Kaifu a "Japanese Ceausescu." The resolution of such issues as political reform and the liberalization of rice imports could mean life or death for some party members. This could also have a direct impact on the party's support base. If the prime minister fails to exercise strong leadership on these critical issues, discord will inevitably surface within the party. This will have a direct bearing on the intensity of the "Kaifu grinding."

In response to this situation, the prime minister and his aides must establish a single goal to lead him up to the end of his term in October. In the latest cabinet reorganization, the Watanabe faction, which is seen as a counterforce against the anti-Kaifu vanguard, was allotted the posts of trade and industry, and posts and telecommunications. These were, in essence, concessions. Former Policy Research Committee Chairman Michio Watanabe said, "We have done well on 120 points. Our faction will support Mr. Kaifu." The Abe faction, which had strong reservations about the prime minister's efforts concerning political reform, was appeased with an additional post in his cabinet.

Dietmembers tainted by the Recruit scandal were excluded from joining the cabinet. As a senior party member said, "This was a clever effort on the prime minister's part to extend his term in office by implying that both [former Deputy Prime Minister Kenichi] Miyazawa and Watanabe plan to seize political power."

"The prime minister should move forward with indifference to personal gain and with a certain degree of detachment. He should not give thought to what he has had up to now. Instead, he should focus all of his efforts on political reform." Mr. Kaifu took his time responding to Chief Cabinet Secretary Sakamoto, the person who gave him this advice. He said, "After the reshuffling of the cabinet is completed we will be on a straight course." The reorganization of the cabinet was completed on 28 December.

While there is a certain amount of truth to reports of infighting and "Kaifu grinding," no one has denied that the prime minister can make it through to October. Just before the cabinet was reshuffled, Mr. Tamura, former speaker of the lower house, visited the prime minister's official residence. There, he gave Mr. Kaifu the bold advice of an old friend: "If there is any interference with the reshuffling of the cabinet, you should come down hard on Mr. Takeshita and Mr. Kanemaru. Like [former Prime Minister Yasuhiro] Nakasone and Mr. Miyazawa, these two lack a certain amount of refinement. However, they will support you because they are loyal."

As if in response to this piece of advice, neither Mr. Takeshita nor Mr. Kanemaru have gone back on their promise to see Mr. Kaifu complete his full term in office. That is, they haven't done so yet.

[4 Jan 91 p 3]

[Text] At noon on 26 December, Prime Minister Toshiki Kaifu held his first of three conferences on the cabinet reorganization with LDP Secretary General Kozawa.

Deputy Secretary General Takayuki Satoh, a member of the Watanabe faction, and former Minister of Education Yoshiro Mori, a member of the Abe faction, also happened to be in attendance. The meeting was held at LDP party headquarters, and the discussion focused on the reorganization of the cabinet and current affairs:

"What does the Abe faction think about this?"

"In my view, when the cabinet was reorganized last February, many people wondered why the prime minister was dissolving his first cabinet the one that carried him through the general election. Complications resulted from this seemingly unnecessary reorganization. That is how I feel at the present time."

"However, the goal of excluding dietmembers tainted by the Recruit and Lockheed scandals bars Mr. Abe [Shintaro Abe, former LDP secretary general], Mr. Miyazawa [Kenichi Miyazawa, former deputy prime minister] and Mr. Watanabe [Michio Watanabe, former chairman of the Policy Research Committee] from taking part. The affairs of government are not that simple."

Mr. Mori received shares of Recruit company stock before the issue was traded publicly. Mr. Satoh was implicated in the Lockheed scandal. Along with Koichi Kato, former director general of the Defense Agency, and his group who strongly backed the inclusion of these three party officials, the main sticking point concerning the reorganization of the cabinet was the question of dietmembers tainted by the Recruit and Lockheed scandals.

Because of the Recruit and Lockheed scandals, both Mr. Mori and Mr. Satoh missed out on the previous cabinet reorganization. They reportedly made a secret agreement to rectify this situation when the next cabinet reorganization took place.

Those implicated in the scandals, including Mr. Satoh and Mr. Mori, naturally intended to join the cabinet in the early stages of the reorganization and pull off what is characterized both inside and outside the party as a "return to power." Having accomplished this manuever, it goes without saying that the ulterior aim of Mr. Abe and the other leaders was to use Mr. Mori's position on the cabinet to stage a political comeback once Prime Minister Kaifu's term as LDP president expires this autumn.

However, the prime minister, who has the strong support of public opinion, stated publicly that he would exclude anyone implicated in the Recruit or Lockheed scandals from his cabinet because of upcoming regional elections. In addition, Mr. Satoh's anticipated return to power has been totally thwarted. A lawsuit has been brought against him by Toshiyuki Inamura, former director general of the Environmental Protection Agency, for infringement of income tax laws.

Lawmakers implicated in the Lockheed and Recruit scandals cannot help but continue to be resigned to this situation. An aide to Mr. Kato described the situation as "trying to kill a snake without moving." Even former Prime Minister Takeshita, who has been called something of an apologist for Mr. Kaifu, won't deny having been upset by scenarios calling for his return to power, and will not speculate on any future shakeups in the cabinet.

In addition to his having vacillated on the timing of the cabinet reorganization, discord has been growing within the party over the prime minister's intentions. This is particularly true of what the leaders of the Komoto faction call the Kaifu administration's "thread of life": the establishment of a code of political ethics. Some tainted politicians have been "purified" through reelection. Others, like Political Reform Division Chief Masayoshi Itoh, have said, "Can't younger lawmakers involved in the Recruit affairs make amends over time?"

Prime Minister Kaifu and LDP Secretary General Kozawa held three official meetings on the issue of the recent cabinet reorganization. They held talks on the actual date of the reorganization, 29 December. Afterwards, the cabinet was formed. At various stages, Chief Cabinet Secretary Misoji Sakamoto, LDP Executive Council Chairman Nishioka, and two other party officials were in attendance. As Mr. Kato said, "The talking has been completed, more or less."

The contents of the talk between Prime Minister Kaifu and LDP Secretary-General Kozawa were not made public, but it would not be difficult to guess whether or not lawmakers implicated in the Lockheed and the Recruit scandals made it into the conversation. In particular, they must have discussed the situation of Recruit tainted dietmembers who will certainly have a say in a post-Kaifu government. On 30 December, the day after the cabinet was reshuffled, Mr. Kozawa was interviewed by the YOMIURI SHIMBUN. Concerning the subject of scandal-ridden party members serving in the cabinet or running for office in the LDP presidential election, Mr. Kozawa said, "The elections will go smoothly; there will be no problems at all." It goes without saying that this comment reflects the prevailing mood within the party.

However, the prime minister is becoming more and more defiant. An official close to Mr. Kaifu said, "Just as in the past couple of years, we will not let party members mixed up in the Lockheed and Recruit scandals return to power. We believe that this is a sound policy for maintaining our hold on political power." Deep seated grudges and dissatisfaction with the prime minister will inevitably continue to grow among the ranks of the party faithful. As a leading member in the Watanabe faction put it, "Dietmembers implicated in the Lockheed and Recruit scandals should be allowed to join the cabinet."

During the "war between the generations" that will shape the post-Kaifu order, Abe, Miyzawa, and Watanabe may arouse love and hatred at crucial moments this fall. They may be able to successfully "lay seige to Kaifu," opening up the way for a return to power. Some observers predict a "return to power" of the scandal-tainted lawmakers in a change of power this May when the ordinary Diet session ends. They also foresee more "Kaifu grinding" in order to pull this off. Admitedly, this is a weak scenario. In any event, a stressful game of tug of war between the prime minister and the party has begun in earnest.

[5 Jan 91 p 3]

[Text] A key factor in determining the shape of the "post-Kaifu political order" is the health of Shintaro Abe, former LDP secretary general and leader of the Abe faction. Mr. Abe may be the most likely candidate to be named the next prime minister. Hiroshi Mitsuka, who heads the offices of the Abe faction, said emphatically, "Mr. Abe is 95 percent recovered. He will be fully recovered by the time the LDP presidential elections roll around this fall." However, few lawmakers within the party accept this statement at face value. Rather, the dominant viewpoint is that he may not be in satisfactory physical shape to take on the stressful duties of the prime minister's office. The various factions within the LDP are already scrambling to prepare for a "post-Abe political order." On the afternoon of 29 December, the day that the cabinet was reshuffled, Mr. Abe was observed making his first visit to the offices of his faction in a long time. He made the visit in order to take charge of his group. He greeted faction members individually, and made a few barbed comments in a joking manner: "We haven't been able to get much done lately, have we?" Mr. Abe has gained back most of the 50 kilograms he lost when he was ill. Some of the younger faction members who had not seen Mr. Abe in some time said, "He was walking better, and his cheeks were fuller."

On the other hand, many faction members also said, "His voice was softer, and his handshake was weak." One middle ranking member of the Abe faction gave a candid "diagnosis" of Mr. Abe's condition: "It will probably be some before he can return to work."

Then came the new year. Mr. Abe recuperated at a Tokyo hotel, canceling his annual custom of opening up his residence to visitors. Friends and supporters of Mr. Abe within the LDP were disappointed when they were told it was impossible to visit with him.

Many took this as an omen that a "political order without Abe" will soon be a reality. Seeing an opportunity, the politically alert Watanabe faction quickly revised its strategy. The basic strategy of former Policy Research Committee Chairman Michio Watanabe and the faction that he leads had been to "help Mr. Abe attain political power and later inherit the mantle of power from him." However, since the prospect of Mr. Abe's return appears unlikely, Mr. Watanabe used an opportunity at a factional planning meeting last autumn to change the policy of his faction. He now plans to put his own faction in power once Mr. Kaifu's term comes to an end this fall.

Lawmakers in the Watanabe faction see stronger ties to the Takeshita faction as crucial in the post-Kaifu political order. Echoing sentiments expressed in the Miyazawa faction, a leading figure in the Watanabe faction said, "We should strengthen contacts with the Takeshita faction without worrying so much about the cordial ties between the Abe faction and the Takeshita faction. Mr. Abe's chance to lead the government has faded into the distance." Middle ranking and young faction members alike have concentrated on cooperating more fully with the Takeshita faction.

"The cooperative relationship between the Abe and Takeshita factions will continue." "Prime Minister Kaifu was the first Japanese premier born during the reign of the late Emperor Hirohito. There will be no return to leadership from the older generation."

As LDP Deputy Secretary General Michio Shikano said on an earlier occasion, the Abe faction is "clinging to hopes that Mr. Abe will return." Right now the faction assumes that Mr. Abe will have enough time to recover before the end of Prime Minister Kaifu's term in office. However, faction members are quietly putting together two contingency plans.

There are some indications coming from within the group of a "best case scenario" for the Abe faction: Former Deputy Prime Minister Shin Kanemaru takes provisional charge of the government in the unlikely event that former Prime Minister Noboru Takeshita, who has a long standing alliance with Mr. Abe, tries to make a comeback.

The primary danger to the Abe faction is the uncertainty over the health of its leader. On the surface, Mr. Abe appears to be giving his faction a cohesiveness it has recently lacked. However, other factions see things differently. As a leading figure in the Watanabe faction said, "The post-Abe leadership struggle among the senior members of the faction has already begun." A middle ranking member of the Miyazawa faction has another viewpoint: "They may be hoping that Mr. Abe makes a comeback. However, if the Abe faction splits up, Mr. Mitsuka will probably make off with half of the members of the faction. Policy Research Committee Chairman Kato will probably assume control over a third of the faction, and Mr. Yoshiro Mori the remaining sixth."

Other opinions have also been heard. A leading member of the Takeshita faction said, "Younger members of the Abe faction would be invited to join our faction."

Given the situation in the Abe faction, there may be a realignment and reorganization of party factions even before the post-Kaifu struggle intensifies.

[6 Jan 91 p 3]

[Text] At the present time, there are only two men powerful enough to take the LDP bull by the horns: former Deputy Prime Minister Shin Kanemaru and former Prime Minister Noboru Takeshita. After the cabinet was reshuffled, the two men ushered in the new year very quietly. Mr. Takeshita spent New Year's Day with his wife in the country, while Mr. Kanemaru invited LDP Secretary General Kozawa and others to his private residence in Tokyo's fashionable Azabu district. While glancing over newspaper articles on the upcoming year in politics, Mr. Kanemaru reportedly grumbled about the predictions with his eyes focused far off in the distance. "The press seems to be all a buzz about a provisional Kanemaru cabinet and another trip to the mound for Takeshita."

Last March, when Mr. Takeshita was in Brazil and Mr. Abe on a visit to the United States, Mr. Kanemaru was angered by the influence these trips had on domestic politics. When Mr. Takeshita returned home to Japan, Mr. Kanemaru arranged a meeting with him and told him directly, "All this talk of you staging a comeback is absurd!" He apparently said, "I am going to distance myself from any comeback by Takeshita. I am not going to risk my own future." If he regrets the trouble caused by these remarks being leaked to the press, they now seem to belong to a "different world."

As if to reverse this earlier stance, both Mr. Takeshita and Mr. Kanemaru have met almost daily to discuss the effects of the cabinet reorganization and party personnel issues.

If the lid is off, why have they had to meet so many times to discuss trifling personnel matters? Former Deputy Prime Minister Kanemaru was severely criticized at home for his promise to pay "45 year old war reparations" to North Korea during his visit to Pyongyang. Many believed that these "reparations" would have to be paid in order to secure the release of the captured fisherman from the Fujisan-Maru No. 18. Because of South Korean displeasure over this affair, Mr. Takeshita was called upon to exercise some of his influence as leader of the Japan-Korea Lawmakers League. This action reportedly led to a resurgence of discord between Mr. Takeshita and Mr. Kanemaru. There were no longer as close as they had been in the past, when Mr. Kanemaru would say, "If I did not see him at least once during the day, I would lose my appetite."

Any way one looks at it, the two men should have put aside their differences, though it would have meant some loss of face.

In effect, they have changed their minds given what must be done when Mr. Kaifu's term in office ends.

Former Prime Minister Takeshita: "So many grave issues face us: the Persian Gulf crisis, the future of Soviet President Gorbachev. Prime Minister Kaifu has been doing a fine job, but what are we going to do once he leaves office?"

Former Deputy Prime Minister Kanemaru: "There is going to be change in power. Who is going to come next?"

Both men have praised former LDP Secretary General Shintaro Abe, former Deputy Prime Minister Kenichi Miyazawa, and former Policy Research Committee Chairman Michio Watanabe. Almost jokingly, they call [Koh] Haneda and [Koichi] Katoh "Neo-New Leaders." However, neither Mr. Haneda nor Mr. Kato have as much practical experience as Prime Minister Kaifu.

On the whole, discussions between the two have been conducted in a dignified manner. But neither one will break the taboo and talk openly about a "Takeshita comeback."

However, not much time passed before word got around Nagatacho that Mr. Kanemaru had "assented to a comeback by Mr. Takeshita."

Statements by several public officials lend credibility to these rumors. Former Prime Minister Sosuke Uno said that Mr. Takeshita "should consider making a comeback." Mr. [Muneo] Suzuki said, "When I accompanied him to the London summit, Mr. Takeshita told me that he would be prime minister for four years." Mr. Takeshita himself said that his term in office was "shorter than I expected," and stated publicly that his political ambitions had not been mollified. Mr. Kanemaru apparently commented that even if Mr. Takeshita could return to power, "he would not be free of suspicion because of the Recruit scandal." However, it could be said that he tacitly acknowledged that a "Takeshita comeback" could be arranged after the Recruit tainted lawmakers had returned to power.

On behalf of the lawmakers who were excluded from the cabinet reorganization, Mr. Takeshita has reportedly suggested to Prime Minister Kaifu that another cabinet reorganization be considered for this coming May. At that time, dietmembers who were implicated in the Lockheed and Recruit scandals could be named to the cabinet.

Apparently, the "Recruit gang" will be fully reinstated at the end of October, when Prime Minister Kaifu's term as LDP president expires. At that time, several lawmakers from Mr. Takeshita, Mr. Abe, and Mr. Miyazawa's generation will probably be given the go ahead to announce their candidacy for that office. It has even been hinted that Mr. Takeshita is planning to stage a comeback on this occasion. Even though a cabinet reorganization has just been completed, speculation over a possible cabinet realignment this coming May continues to be bandied about. In such a case, there would be no survivors.

Mr. Takeshita recently said that he would start helping to form an Abe cabinet. However, within the Abe faction itself a profound sense of pessimism has been growing. The formation of an Abe cabinet seems very unlikely. "I have been prime minister. But if my good friend Mr. Abe never gets to be premier, that would be truly regrettable." Will the friendly alliance between Mr. Takeshita and Mr. Abe continue? If Mr. Abe is unable to assume political power, will the Abe faction support Mr. Takeshita in his place? The answer can only be found in the heart of Mr. Takeshita.

[7 Jan 91 p 3]

[Text] On 1 January, Kenichi Miyazawa opened his private residence in Tokyo's Harajuku district to visitors for the first time in three years. Mr. Miyazawa, a former deputy prime minister, is the leader of an LDP faction bearing his name. This faction is also known as the kochikai. Former Prime Minister Zenko Suzuki, himself a former leader of the kochikai, has been quoted as saying, "This year is our last chance." As if to answer for Mr. Miyazawa, new cabinet members from the kochikai and faction leaders all expressed enthusiasm for their leader: "Because of his age (72), this will be the year in which Mr. Miyazawa takes control of the government."

However, many veteran lawmakers, like former Executive Council Chairman [Kiyoshi] Mizuno, were seen folding their arms across their chests, and leaving the party early. Someone said, "Mr. Miyazawa seems to have lost interest in assuming control of the government."

In the year end cabinet reorganization and change in party personnel, Executive Council Chairman Nishioka was expelled from the faction, and the Miyazawa faction boldly chose a course that lost it three official posts in the government. In addition, because of opposition from Shin Kanemaru, head of the Takeshita faction, Mr. Miyazawa's dream of getting Yohei Kono, former director general of the Science and Technology Agency, named to the cabinet came to an end. Moreover, the Miyazawa faction lost seven official posts in the party. The faction did not even have a representative at the administration opposition party summit meeting. Former Director General of the Defense Agency Koichi Kato said, "We used to enjoy a system of executive power sharing by the mainstream factions, but now this existed in name alone. The balance of power has supposedly rested between the Komoto faction, which is currently in power, and the so called 'four factions' (Takeshita, Abe, Miyazawa, Watanabe). However, in reality, the Miyazawa faction has been shunned by the Takeshita, Abe, and Watanabe factions. (The Miyazawa faction has been banished from the regular meetings of faction heads.) You don't hear the expression 'four factions' anymore, even as a form of flattery."

Prime Minister Kaifu, who used to seek advice from Mr. Miyazawa on a regular basis, recently told former LDP Secretary General Shintaro Abe that he would "go to Abe, Takeshita, and Komoto" for advice "from now on." This was clearly meant to indicate that the prime minister also plans to "distance himself from the Miyazawa faction."

A close adviser to the prime minister privately wonders whether or not Mr. Kaifu can expect to receive anything but "lackluster support" from the Miyazawa faction for political reforms and the United Nations Peace and Cooperation Act. A feeling of isolation is beginning to set in among members of the Miyazawa faction.

The Miyazawa faction's stance on the post-Kaifu political order was outlined recently by a leading member of the faction: "When Mr. Kaifu loses support for his cabinet, we will use this opportunity to take power by getting close to Mr. Kanemaru." However, the recent cabinet reorganization clearly shows that the Miyazawa faction has been excluded from the power sharing arrangement worked out by the major factions, and that it is estranged from the prime minister. As unpleasant as it sounds, the Miyazawa faction will have to take another hard look at their plans for assuming power.

However, it appears unlikely that the faction is about to come up with a new strategy. While the prime minister has distanced himself from the faction, strong opposition to the power sharing arrangement worked out by the main factions does not appear to be growing within the Miyazawa faction. The head of the faction office, Shigeru Kasuya, said "We do not consider ourselves to be in opposition to the Kaifu cabinet." The other factions have taken a much sterner view of the situation. An influential member of the Watanabe faction said, "The Miyazawa faction does not know how to fight. They have to find a way out of their near terminal situation. If they adopted a posture of opposing the mainstream factions, they would be closer to assuming power than they are right now." Instead, the aftermath of the cabinet reorganization drama has been truly remarkable. In relations between the factions, "Mr. Miyazawa's ability to carry out diplomacy in Nagatacho has been seriously diminished." Meanwhile, an experienced cabinet officer inside the faction said, "During the Nishioka expulsion affair, Mr. Miyazawa was unable to eliminate his rivals and quell generational disputes within the faction, because of the drubbing he had taken. He could not kill both birds with one stone." A backlash is currently being directed at [leading members] of the faction. This has led to the expulsion of Mr. Kato and others.

In the midst of this struggle, the Miyazawa faction has been quietly studying ways to assume political power. This plan, however, includes being part of the "old guards' common front." Mr. Abe (who is "next in line"), former LDP Executive Council Chairman Michio Watanabe, and former Prime Minister Takeshita all belong to this generation of leaders. Everyone of them is trying to stage a political comeback. Reportedly Mr. Kanemaru and others are aiming at a shift to the older generation when Mr. Kaifu's term expires. At the very least, they plan to work together to oppose an extension of Mr. Kaifu's term in office, and intend to stand firm on this position.

Already, talk has been going on in the Watanabe faction. As a leading member of the faction stated, "Mr. Miyazawa has been talking with Mr. Watanabe, and thinks that his assuming political power may not be a bad idea. Apparently, even Mr. Takeshita hasn't said a thing. [LDP Secretary General] Kozawa's generation is not threatened by this arrangement, and he hasn't served a term yet."

Even within the Abe faction, such expectations have been growing. As a middle-ranking official in the faction put it, "If there is a loss of confidence in Mr. Kaifu, the people of Japan are definitely going to want a return to the older generation because of its stability."

Even Mr. Miyazawa appears to believe that this arrangement represents the nation's last chance to form a successful common front with the effectiveness of various "international elements" growing in Japan almost daily.

[8 Jan 91 p 3]

[Text] "Because young leaders have assumed positions of power in countries all over the world, the old guard in Japanese politics should begin to relinquish some of their authority. I would like to make a personal appeal. Japan itself has passed into the control of a younger generation. We should allow our younger leaders to breathe some life into Japanese politics."

On the evening of 20 December, as the year was drawing to a close, Shin Kanemaru, former deputy prime minister and chairman of the LDP's Takeshita faction, made this poetic and passionate appeal for a generational transition in Japanese politics. He made this speech at a birthday party for former lower house Speaker Shigeru Hori which was held in the Shinobu Club at the Press Center in Tokyo's Uchisawaicho district. Shin Kanemaru created the era of the "New Leaders" by giving his support to former Prime Minister Noboru Takeshita. The "New Leaders" were all born during the Taisho era (1912-25). Recently, however, Mr. Kanemaru has been quietly striking bargains with party officials to give a "Neo-New Leader" the chance to succeed Prime Minister Kaifu. The "Neo-New Leaders" are lawmakers born during the Showa era (1925-89), or reign of the late Emperor Hirohito.

Shortly after the year end cabinet reorganization, Mr. Kanemaru committed the Neo-New Leaders to the care of LDP Secretary General Ichiro Kozawa. Furthermore, because the secretary general was set up as caretaker by former Prime Minister Takeshita, who had opposed the cabinet reshuffling, Mr. Kozawa has been given a tremendous amount of latitude. As a prominent member of the Takeshita faction put it, "Mr. Kozawa and others have been given the impression that the Showa era lawmakers are the LDP mainstream."

Late last November, LDP Constitutional Law Research Committee Chairman Kurihara met with Mr. Kanemaru to discuss the issue of the United Nations Peace and Cooperation Act. The discussion drifted to the issue of the post-Kaifu political order.

Mr. Kurihara: You are the most influential official in the Liberal Democratic Party. You should combine your influence with a sense of duty and become prime minister.

Mr. Kanemaru: I can't be prime minister.

Mr. Kurihara: Could anyone take your place?

Mr. Kanemaru: There are a number of wounded men out there.

There are plenty of indications that Mr. Kanemaru believes that the old guard has had its turn. Also, the fact that Mr. Kanemaru left the affairs of the Neo-New Leaders to Mr. Kozawa suggests that there is a certain amount of unanimity within the party on this issue.

However, another very influential member of the party, former Prime Minister Noboru Takeshita, is reportedly very wary of Mr. Kozawa gaining any additional power. One member of the Takeshita faction believes the reason for this wariness is that "Mr. Takeshita feels uncomfortable around Mr. Kozawa, because he is very blunt with people." A member of the Watanabe faction offered a more convincing analysis of the situation: "If Mr. Kozawa were to gain more political power, Mr. Takeshita, who is a member of the same faction, would be upstaged. This is Mr. Takeshita's primary fear."

In the year-end cabinet reorganization, Finance Minister Ryutaro Hashimoto managed to remain in office after rumors of an "Ichi-Ryu war" with Mr. Kozawa. The balance of power between Mr. Kozawa and Mr. Hashimoto, who is very close to Mr. Takeshita, was maintained. However, as an influential member of the Takeshita faction explains, "Mr. Takeshita played his Hashimoto card in order to check Mr. Kozawa's power."

Eventually, a settlement was reached to end the "Ichi-Ryu war" inside the Takeshita faction. However, given this situation, the environment within the faction does not favor either Mr. Kozawa or Mr. Hashimoto announcing their candidacy to succeed Prime Minister Kaifu.

Furthermore, except for Mr. Kanemaru, there do not seem to be any other faction bosses hoisting the banner of the new generation.

In the Miyazawa faction, former Defense Agency Director General Kato is locked in a power struggle with former Science and Technology Director General Yohei Kono. Mr. Kato reportedly has the upper hand at the present time, but he has been the subject of icy comments from party officials: "Mr. Kato has not been known to exert himself on behalf of the party."

Shintaro Abe's health is a constant cause for worry within his faction; they have not been able to get keyed up for the LDP presidential race. Former LDP Policy Research Council Chairman Hiroshi Mitsuka and former Education Minister Yoshiro Mori have not been able to get things moving. Some Abe faction members have openly stated that, within the group of influential faction members born during the Showa era, there are no standouts that could successfully run for the LDP presidency and succeed Prime Minister Kaifu. "They cannot take turns being prime minister, one after the other."

During the recent cabinet reorganization, Mr. Kozawa was in touch with [Kozo] Kaifu, a member of the Takeshita faction, and Toshio Yamaguchi, who heads the Watanabe faction offices. He created the climate for the year-end cabinet reorganization. An office head at one of the factions struck a chord when he said, "I didn't notice any change in the political agenda favoring the Taisho generation." Real power in the Liberal Democratic Party is gradually shifting to the Showa generation. Through the efforts of these officials, this trend is almost certain to be the case in the post-Kaifu era.

[9 Jan 91 p 3]

[Text] Koichi Hamada, chairman of the LDP Public Relations Committee, asked, "Will politics ever be cleaned up if the factions continue with business as usual?"

Haneda, chairman of the LDP Electoral Systems Research Committee, said, "If we change the electoral system so that only one person is elected to office from each electoral district, I think the factions would be finished."

These exchanges took place on 21 December at a meeting of the LDP's Executive Council. The meeting was convened to discuss a draft proposal on political reform advocating the adoption of a system of smaller electoral districts for the lower house.

The Liberal Democratic Party currently has five factions: the Takeshita faction, the Abe faction, the Miyazawa faction, the Watanabe faction, and the Komoto faction. It is believed that these factions exist because of "mid-sized" electoral districts. As many as five elected officials can represent a single electoral district. (There is one exception: a district in Hokkaido that has six elected representatives.) Under the current proposal for political reform, if a system of smaller electoral districts is adopted, and arrangements are made to concentrate the administration of campaign funds in the hands of party officials, the factions would be eliminated in one fell swoop.

However, even though there are calls for these types of system reforms within the party itself, as a member of the Takeshita faction put it, "the factions are undergoing rapid reorganization as a result of the upcoming LDP presidential election this fall." For example, this year former Home Affairs Minister Toshio Komoto will turn 80, former Deputy Prime Minister Shin Kanemaru will be 77, former Deputy Prime Minister Kenichi Miyazawa will be 72, former Policy Research Council Chairman Michio Watanabe will be 68, and former Prime Minister Noboru Takeshita and former LDP Secretary General Shintaro Abe will both turn 67. Because the leaders of the various party factions are getting very old, the "generation gap" should continue to grow in the post-Kaifu era.

Furthermore, the factions do not seem to be able to produce any noteworthy candidates for the upcoming LDP presidential election. A combination of these two factors may set off a series of factional realignments.

Of course, all eyes are on the Abe faction, which is led by former LDP Secretary General Shintaro Abe who is in poor health.

As a middle ranking member of the Abe faction said, "Nobody seems to be able to take Mr. Abe's place in the Seiwa Club (the Abe faction) from a fundraising standpoint." If the generation gap in the faction widens, a split could occur between a group led by Policy Research Council Chairman Kato and a group led by former Policy Research Council Chairman Hiroshi Mitsuka and former Minister of Education Yoshiro Mori. This opinion is widely held within the party.

Even the Takeshita faction, the largest party faction with well over 100 members in the upper and lower houses of the Diet, may be in trouble. As Former Prime Minister Zenko Suzuki once said, "The optimum size for a party faction is somewhere around 50 members." If this opinion holds true, "the faction may be in danger of a natural division," as a member of the Komoto faction phrased it. Furthermore, seeds of discord are being sown within the faction by Mr. Takeshita, Mr. Kanemaru, and Mr. Kozawa. Among the group of younger dietmembers sympathetic to Mr. Kozawa, voices have been heard criticizing the leader of their faction. "Mr. Takeshita will inherit power after Mr. Abe. I wish he were the boss of the Abe faction.

Because of these developments, party officials have been making a number of bold predictions off the record: "A power struggle will break out within the Abe faction in order to oppose the Takeshita faction candidate for the party presidency. Mr. Kato will oppose Mr. Takeshita who will nominate Finance Minister Ryutaro Hashimoto. Mr. Hashimoto is from the same electoral district as Mr. Kato and both men despise each other. With the support of Mr. Kanemaru, Mr. Kato will initiate the "San-Roku war" with Mr. Mitsuka. Mr. Mitsuka, together with Mr. Mori, will join with Mr. Takeshita. There will be a split, followed by a factional realignment."

The situation inside the Miyazawa faction is very complicated. LDP Executive Council Chairman Nishioka survived the year-end cabinet reorganization but was expelled from the faction. At the same time, the Miyazawa faction refused to allow Yohei Kono, former director general of the Science and Technology Agency, to join the Kaifu cabinet.

Both men were once members of the New Liberal Club, and were apparently blackballed because they were not "pure breeds." As a senior member of the faction put it, "The kochikai (Miyazawa faction) has let too many outsiders join. Now the faction cannot hold itself together. Mr. Miyazawa will not be able to become party president and prime minister." The cracks in the faction walls are in danger of widening.

Even the Komoto faction, which rose to prominence when Toshiki Kaifu became prime minister, faces an uncertain future. It is unclear how the faction will fare in the post-Kaifu era.

The seeds of factional realignment have been sown.

[10 Jan 91 p 4]

[Text] The United Nations Peace and Cooperation Act was sought to provide international assistance to the world organization. This support included sending the Self-Defense Forces to the Middle East. Debate was inconclusive and the bill was rejected. Shortly thereafter, near the end of last November, LDP Secretary General Kozawa visited the offices of the moderate political parties to sound out their leaders: "If we continue down this course of business as usual, the whole legislative process will get bogged down. Somehow we must create a cabinet of national unity. Would you give such an initiative your support?"

The opposition parties have a direct majority in the upper house of the Diet, and from start to finish the Japan Socialist Party has remained inflexible. In addition, Prime Minister Kaifu's base of support is weak. The Persian Gulf crisis notwithstanding, the Diet has been unable to deal effectively with a host of pending issues. Better relations with North Korea are on hold. Improved ties with the Soviet Union are bogged down because President Gorbachev cannot visit Japan. The liberalization of rice imports remains unresolved. There seems to be an urgent need for a coalition or union between the Liberal Democratic Party and the two moderate political parties: the Komeito, or the Clean Government Party, and the Democratic Socialist Party.

Former LDP Secretary General Shintaro Abe was recently overheard expressing a similar opinion. Mr. Kozawa and Mr. Abe both support the view that the LDP should work closely with the two moderate parties in time of "national crisis."

The leaders of the opposition parties promised to study the matter in response to appeals made by Mr. Kozawa and Mr. Abe. However, these plans were placed on hold in the wake of the cabinet reorganization and the shake up in LDP party organization. But there has been talk in the LDP of another cabinet reorganization in May which Prime Minister Kaifu at one time resolved to do. This would appear to tally with this plan.

According to this interpretation of events, the prime minister intends to share power with the Komeito in May when he reshuffles his cabinet. Mr. Kaifu plans to hold back on rearranging his cabinet until the middle of the year, after the nationwide regional elections are held. At the present time, however, he remains opposed to a merger because this is not the right time.

It is unclear how close this interpretation is to the actual truth. It appears that this theory is based on one incident: the defeat of the United Nations Peace and Cooperation Act, and the effect this defeat has had on Prime Minister Kaifu and Secretary General Kozawa. Right after the bill was defeated, on 12 November, former Deputy Prime Minister Shin Kanemaru held talks with Chairman Ishida of the Komeito, or Clean Government Party, on a possible coalition or union with the LDP. The talks appeared to have been half serious.

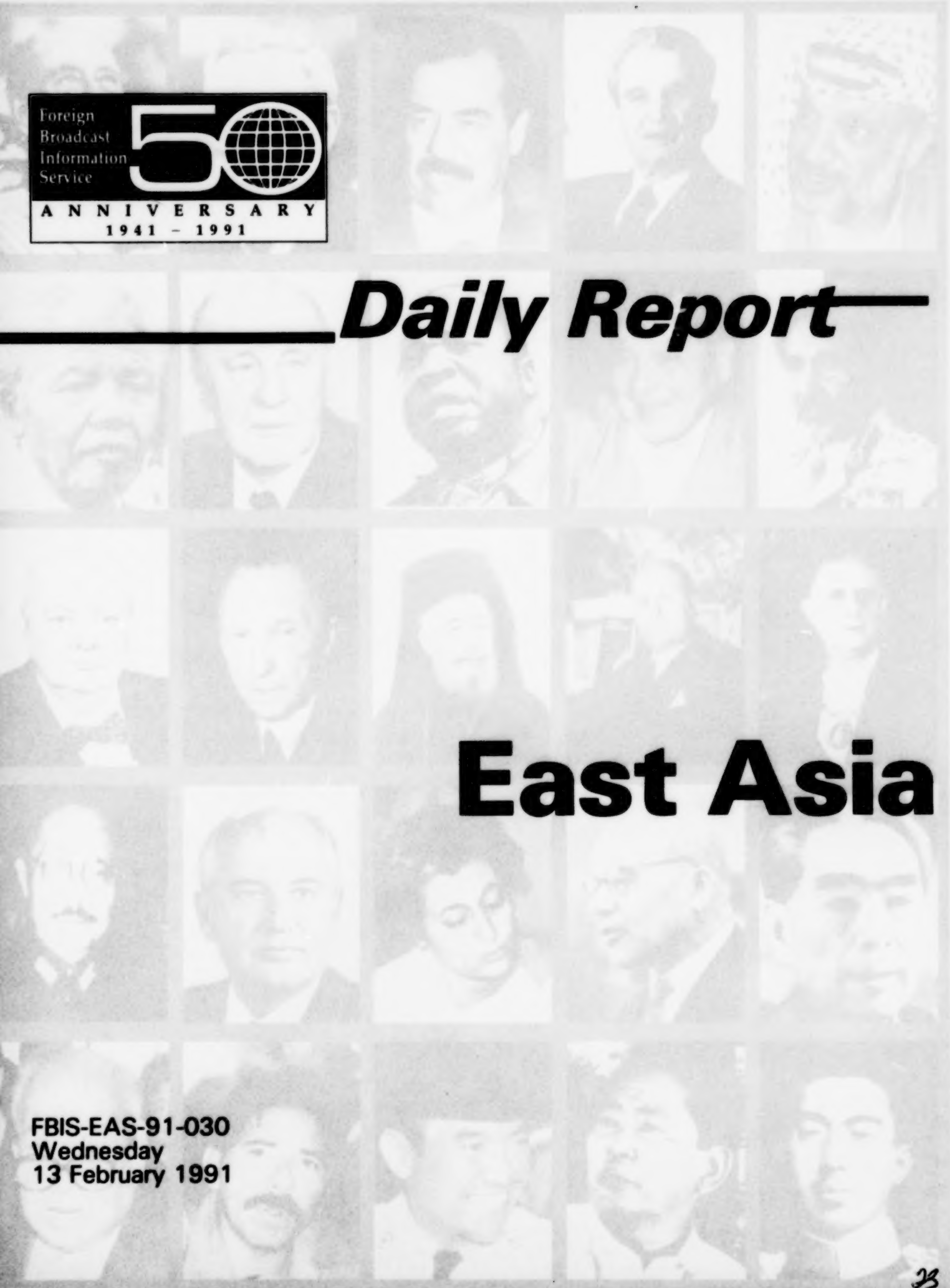
Chairman Ishida, Secretary Ichikawa, and the Komeito Executive Committee are currently groping with the idea of an "association with the intrepid LDP." There has been, however, strong opposition from certain quarters within the party to the "coalition route." This was expressed loud and clear at the last party plenum held at the end of last November. Mr. Ishida did not even make mention of Mr. Kanemaru's invitation until the end of the debate.

A sudden Kanemaru style LDP-Komeito merger, or a union of the three moderate political parties, is highly unlikely. However, former Prime Minister Takeshita has devised plans for a "partial union" which would be a preliminary step. The LDP is widely believed to have already begun implementing this plan. As its first measure, the LDP is building "consensus" with the other two moderate political parties on international assistance as a result of the defeat of the United Nations Peace and Cooperation Act. The second step has been to "present a united front" with the Komeito and the Democratic Socialist Party in the upcoming prefectural governor's race in Tokyo.

On 28 December, Chairman Ishida expressed reluctance to back the current governor of Metropolitan Tokyo, Shunichi Suzuki. A heated exchange of words quickly followed. On 6 January, LDP Secretary General Kozawa made this incident known to the general public, and a "Dump Suzuki" movement sprouted up overnight. In addition, Mr. Kozawa and party have feigned support for NHK Special Director Naotoku Isomura, but a DSP [Democratic Socialist Party] leader believes that the "scenario developed according to the Kozawa-Ichikawa plan calls for a race." This view is held by many observers.

There is still a strong aversion to the Komeito within the LDP because its parent body is the Soka Gakkai [a lay religious group associated with the Nichiren sect of Japanese Buddhism]. In addition, the LDP faces a major hurdle in building a coalition with the DSP and Komeito: electoral system reforms.

The Komeito and the Democratic Socialist Party are both categorically opposed to the adoption of an electoral system based on small voting districts. They believe that it is a threat to the existence of political parties. There are also other problems. A leader in the Komeito



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Japan

Passenger Threatens United Jet With 'Bomb'

OW1302155891 Tokyo KYODO in English 1534 GMT 13 Feb 91

[Text] Narita, Chiba Pref., Feb. 14 (KYODO)—A United Airlines jumbo jet bound for San Francisco with 316 people aboard headed back to Narita Airport early Thursday after a Japanese passenger threatened the pilot with what appeared to be a bomb, airport and airline officials said.

Airport officials said the Boeing 747 was due to arrive back at Narita at 12:40 A.M. [1540 GMT].

"A passenger holding what appears to be a bomb is demanding that the plane be flown back to Narita," an airport official quoted a report from the airliner as saying. The report was received about two hours after the plane took off from Narita at 7:45 P.M. [1045 GMT] Wednesday, the official said.

The Transport Ministry said the airline told Japanese aviation authorities that the passenger was a Japanese, and that the object resembling a bomb was placed at the rear of the airplane.

The pilot gave no indication that the plane had been hijacked, airport officials said.

Official: Incident 'Nothing Serious'

OW1302161291 Tokyo KYODO in English 1602 GMT 13 Feb 91

[Text] Narita, Chiba Pref., Feb. 14 (KYODO)—A United Airlines jumbo jet bound for San Francisco with 316 people aboard returned to Narita Airport early Thursday after an apparently drunk passenger threatened the pilot with what appeared to be a bomb, airport and airline officials said. The Boeing 747 landed at Narita Airport at 12:47 A.M. [1547 GMT].

The airline told Japanese immigration officials that the passenger, a Japanese, appeared to be drunk when he threatened the pilot with an object resembling a bomb.

"The plane is heading back, but it was nothing serious," the immigration official quoted the airline as saying.

The airport said it received the first report from the airline about two hours after the plane took off from Narita at 7:45 P.M. [1045 GMT] Wednesday. "A passenger holding what appears to be a bomb is demanding that the plane be flown back to Narita," an airport official quoted the report as saying.

The Transport Ministry said the airline told Japanese aviation authorities that the passenger was Japanese, and that the object resembling a bomb was placed at the rear of the airplane.

In Washington, the Federal Aviation Administration said the incident was not a hijacking.

Suspect Taken Into Custody

OW1302170291 Tokyo KYODO in English 1641 GMT 13 Feb 91

[Text] Narita, Chiba Pref., Feb. 14 (KYODO)—A United Airlines (UAL) jumbo jet bound for San Francisco with 316 people aboard returned to Narita Airport early Thursday after an apparently drunken passenger threatened the crew with what appeared to be a bomb, airport and airline officials said.

The suspect, identified by police as Hiromu Kato, 48, was taken into custody on suspicion of violating antihijacking laws after Flight 58 landed at Narita Airport at 12:47 A.M. [1547 GMT].

As the Boeing 747 was heading back to Narita, UAL officials told Japanese immigration officials that the suspect appeared to be drunk when he threatened the cabin crew with an object resembling a bomb.

Police, citing preliminary reports from the crew of the airliner, said Kato inflated a plastic air sickness bag and showed it to a cabin attendant.

The pilot did not inform passengers of the bomb scare, police said. They added that the suspect, an economy class passenger, was seated in the first class section, surrounded by crew members, as the plane returned to Narita.

The airport said it received the first report from the pilot about two hours after the plane took off from Narita at 7:45 P.M. [1045 GMT] Wednesday. "A passenger holding what appears to be a bomb is demanding that the plane be flown to back to Narita," an airport official quoted the report as saying.

The airline told Japanese authorities that the plane was returning to Narita as a precautionary measure and that the situation was not serious.

Nakayama Urges Iraq Not To Use Chemical Weapons

OW1302103391 Tokyo KYODO in English 1009 GMT 13 Feb 91

[Text] Tokyo, Feb. 13 KYODO—Foreign Minister Taro Nakayama on Wednesday called on Iraq to avoid using chemical weapons if a ground war breaks out with the multinational forces, Foreign Ministry officials said.

The officials said Nakayama made the remarks in a 30-minute meeting with Iraqi Ambassador to Japan Rashid al-Rifa'i. It was the first time the envoy was summoned to the ministry to meet with Nakayama since the Iraqi invasion of Kuwait on August 2.

Nakayama was quoted as saying the use of chemical weapons by Iraq would be unpardonable from both a legal and a humanitarian standpoint. Officials said he also pointed to the necessity for Iraqi president Saddam Husayn to urgently withdraw his troops from Kuwait in order to bring peace to the region and allow reconstruction to begin.

Al-Rifa'i told Nakayama it is Iraq which is the real "victim" amid the current conflict in the Gulf. He said Iraq's position on the issues involved, as well as its will power to continue fighting, have been unshaken by the bombing campaign being waged against it by the Allied forces. The envoy said that while Iraq is open to dialogue, the preconditions are that all Middle East problems must be addressed and that there must be no "double standards."

Iraq says the United Nations is exercising a double standard by sanctioning military force to fulfill U.N. Security Council resolutions passed against it while not moving similarly in the case of resolutions passed previously against Israel.

Hashimoto Hints at More Aid if 'War Drags On'

OW1302122291 Tokyo KYODO in English 1205 GMT 13 Feb 91

[Text] Tokyo, Feb. 13 KYODO—Finance Minister Ryutaro Hashimoto suggested Wednesday that Japan may respond to requests from the United States for additional financial contribution if the Persian Gulf war drags on.

Hashimoto told a lower house budget committee meeting that he is not sure that Japan will not be compelled to provide additional aid to the U.S.-led multinational forces if the war drags on. Prime Minister Toshiki Kaifu told the committee the same day, however, that he is not considering additional aid for now. They spoke during committee discussions on the government's proposal for an additional 9 billion dollars in aid to the Allied forces during fiscal 1990, ending March 31.

This is in addition to 4 billion dollars Japan pledged last year—2 billion dollars to the multinational forces and another 2 billion dollars in aid to nations affected by the United Nations-imposed sanctions against Iraq.

Hashimoto's remark was interpreted to mean that Japan will respond to requests for additional money if the war is drawn out. The government has expressed hope that the war will be short- lived and declined to discuss measures to be taken in fiscal 1991 or later. Hashimoto said he hopes Diet discussions will start soon on Japan's contribution to postwar peace and stability in the Middle East.

U.S. Secretary of State James Baker has proposed establishment of a Middle East rehabilitation and development bank as part of his postwar plan for the area.

'No Restraints' on Additional Gulf Aid

OW1302090891 Tokyo KYODO in English 0848 GMT 13 Feb 91

[Text] Tokyo, Feb. 13 KYODO—Transportation of military personnel, weapons, and ammunition may be paid for with Japan's additional aid to the multinational forces in the Persian Gulf, a high Foreign Ministry official indicated Wednesday.

Japan will place no restraints on what the U.S.-led multinational forces fighting Iraq transport with Japan's 9 billion dollars in aid, said Koichiro Matsuura, chief of the ministry's North American Affairs Bureau.

Prime Minister Toshiki Kaifu, meanwhile, in effect retracted his remark of the day before that he did not want to see Japan's assistance to the Allied forces used to transport military personnel, weapons, or ammunition, saying he has not meant to touch on the nature of the material to be transported. They were replying to Japanese Communist Party (JCP) questioner Hideo Kijima during a session of the House of Representatives Budget Committee.

Kaifu said that, for the time being, he is not considering further financial assistance to the multinational drive to evict Iraq from Kuwait, which it invaded last August 2. He also discounted the proposal from some business leaders that the consumption tax be raised to help pay for the 9 billion dollars in assistance to the multinational forces.

Keidanren To Extend Aid for Gulf War Refugees

OW1202141891 Tokyo KYODO in English 1321 GMT 12 Feb 91

[Text] Tokyo, Feb. 12 KYODO—Gaishi Hiraiwa, chairman of the Federation of Economic Organizations (Keidanren), said Tuesday the powerful business group will extend financial aid to a United Nations agency to help rescue the refugees fleeing the Persian Gulf war. He did not disclose the amount of the aid.

Hiraiwa told a press conference that Keidanren representatives will hold talks Wednesday with Sadako Ogata, chief of the U.N. High Commissioner for Refugees (UNHCR), on the planned donation.

The Geneva-headquartered agency, responsible for providing international protection to refugees and asylum-seekers, has been appealing for help from the Japanese Government and the private sector for its efforts to help victims of the Gulf war.

Court Rejects Claim on Dispatch of ASDF Planes

OW1302123291 Tokyo KYODO in English 1126 GMT 13 Feb 91

[Text] Kobe, Feb. 13 KYODO—A local court has turned down a claim by a citizen's group demanding the government not send Air Self-Defense Forces (ASDF) aircraft to evacuate Persian Gulf war refugees, court officials said Wednesday.

The Kobe District Court refused the provisional injunction, filed by eight citizens in Kobe, saying the claim itself is unlawful because it implies prior constraint on the exercise of administrative rights by the government.

This is the first court judgment among several similar injunction claims filed in Tokyo and Kitakyushu, requiring the government abandon its plan to use military transport planes to evacuate war refugees. The suits call for a court judgment if the move could be unconstitutional.

The Kobe court decision, however, never touched on the plaintiff's claim that the government refugee scheme goes against Article 9 of the war-renouncing Constitution which bans the use of military power as a means to resolving international conflicts, plaintiff sources said.

Sojiro Kawamura, 54, one of the plaintiffs, said his team regrets that their expectations of the court to demonstrate its own initiative and insight in the case were not met.

The plaintiffs are now preparing to file a new lawsuit against the government, he said.

Reformist Groups Protest U.S. Exercise, Gulf War

OW1302014791 Naha NHK Television Network in Japanese 0315 GMT 12 Feb 91

[Text] While the Gulf war continuies, the U.S. forces have blockaded Prefectural Highway No. 104 in Kin-cho and started a three-day live-firing exercise today. After an OV-10 liaison aircraft circled over the Camp Hansen training area at a low altitude, the first live round was fired shortly after 0830 and today's exercise started. Then, 155-millimeter shells were fired one after another at an impact area on Mt. Onna from three gun positions in the training area. According to the count by the Kin-cho Town Hall, 55 shells were fired by 1130.

This is the third exercise of its kind so far this year and the second since the Gulf war started last month. Reservists who came to Okinawa in December last year are taking part in the training in lieu of troops sent to the Middle East. Trucks carrying armed soldiers were coming and going frequently in Kin-cho.

Reformist groups in the prefecture held rallies in succession this morning in front of the gate of Camp Hansen and at a hill near the impact area, calling for a halt to the training and the war. Of the reformist groups, the Okinawa Prefecture United Action Liaison Council for the Repeal of the Security Treaty and the Protection of Livelihood and Democracy [Toitsuren] held a protest rally in front of Gate 1 at Camp Hansen and 50 people participated. At the rally, Chairman Miyagi said: With the participation of reservists, the danger is increasing all the more. Let us step up our antiwar and peace struggle by firmly opposing the training and the war.

USSR's Primakov Reportedly Cancels Trip

OW1302145591 Tokyo KYODO in English 1442 GMT 13 Feb 91

[Text] Tokyo, Feb. 13 KYODO—Soviet Presidential Envoy Yevgeniy Primakov has canceled a trip to Japan scheduled for Thursday through Sunday, government sources said Wednesday.

Primakov, a member of the Presidential Council, traveled to Baghdad on Monday as President Mikhail Gorbachev's personal emissary to seek an end to the Persian Gulf war. He arrived in Iran Wednesday to brief Iranian leaders on his trip to Iraq, the Iranian official news agency IRNA said.

Primakov had been scheduled to arrive in Tokyo on Thursday to attend a symposium.

Chamorro Hopes To Return Soviet, German Weapons

OW1302152091 Tokyo KYODO in English 1302 GMT 13 Feb 91

[Text] Tokyo, Feb. 13 KYODO—Nicaraguan President Violeta Barrios de Chamorro said Wednesday she will ask the Soviet Union and Germany to take back weapons sold to her country's former Sandinista government.

Chamorro, in a press conference at the Japan National Press Club, said she hopes to realize the return of missiles, tanks, and helicopters as part of the process of national demilitarization now under way in Nicaragua. The Nicaraguan leader said it is her intention to enter into negotiations on the issue with the Soviets, while also broaching with Germany the return of weapons sold to the Sandinista government by the former East German Government.

Chamorro won a landslide victory in presidential elections in February last year as head of a 14-party opposition coalition aligned against the Sandinista government of Daniel Ortega.

The president preceded her remarks about trimming military equipment by welcoming an agreement by leftist rebels in neighboring El Salvador to return to Nicaragua all remaining antiaircraft missiles purchased illicitly from Sandinista army officers. Chamorro said she is vehemently opposed to weapons entering Nicaragua and flowing to neighboring countries, where she said they serve to disturb the peace and promote warfare. Chamorro expressed satisfaction that her government has succeeded in reducing the Sandinista-dominated Nicaraguan military forces from 80,000-90,000 to 27,000 personnel.

Chamorro said she is very pleased with Prime Minister Toshiki Kaifu's promise that Japan will positively support Nicaragua on the issue of repayment of the country's 11 billion-dollar foreign debt.

Kaifu, who met with Chamorro on Monday, pledged Japan's support for Nicaragua at an upcoming meeting in Washington of donor nations, the World Bank, and the Inter-American Development Bank. The meeting is set for late March. Chamorro also expressed appreciation for Kaifu's offer of a 900 million yen grant to help Nicaragua's economic restructuring.

Spokesman Calls Korean Sports Accord 'Delightful'

OW1202132791 Tokyo NHK General Television Network in Japanese 1000 GMT 12 Feb 91

[Text] Foreign Ministry Spokesman Watanabe, speaking at a news conference held this afternoon, said: For the first time, South and North Korea have agreed to organize unified teams for international sports events. This development is both epochal and delightful. I hope that this will have a favorable effect on the South-North prime ministerial talks and the South-North dialogue, and ease tensions on the Korean peninsula. The spokesman also expressed the hope that the South-North agreement in the sports area will have a positive impact on the Japanese-North Korean talks on normalizing their diplomatic relations.

Ogata Calls Nuclear Accident 'Serious Incident'

OW1302122891 Tokyo KYODO in English 1038 GMT 13 Feb 91

[Text] Tokyo, Feb. 13 KYODO—Kenjiro Ogata, director general of the Agency of Natural Resources and Energy, Wednesday called on Kansai Electric Power Co. to carry out a thorough investigation into the accident at its Mihama Nuclear Power Plant, terming it a "serious incident," government officials said.

Ogata told Kansai Electic President Kiyoji Morii, who came to meet the agency head to "apologize" about the accident, that the Mihama incident on Saturday was grave because it was the first nuclear mishap in Japan that required the activation of the emergency core cooling system to shut down the plant. Ogata said the accident, at the plant in Fukui Prefecture, was deplorable since it generated deep concern among the public about nuclear power generation, agency officials said. He told Morii to take several steps to regain public confidence in nuclear power generation, including a thorough probe into the cause of the accident and regular painstaking examinations of steam generator tubes of the reactors.

The nuclear reactor mulfunction at the Mihama plant was suspected to be caused by a faulty steam generator tube.

Morii said he was very sorry that the accident caused social turmoil and engendered widespread concern about nuclear power plants. The utility firm president promised to clarify the cause of the accident, and to make his best effort to eliminate public concern.

MITI Concerned Over Opposition to Nuclear Power

OW1202141291 Tokyo KYODO in English 1215 GMT 12 Feb 91

[Text] Tokyo, Feb. 12 KYODO—Officials at the Ministry of International Trade and Industry (MITI), confident that Saturday's accident at the Mihama Nuclear Power Plant caused no damage to the environment, are concerned about another kind of possible fallout—an increase in public opposition to nuclear power, ministry sources said Tuesday.

Plant officials said the amount of radioactivity released in the accident was not enough to harm people living nearby, but the MITI officials are worried that the accident may nonetheless cause renewed public skepticism about nuclear power.

The reactor was shut down, and the plant's emergency core cooling system (ECCS) activated, averting a possible meltdown, after an abnormal level of radiation was detected. This was the first time in Japan the ECCS has come into operation during an accident, although the system has been activated mistakenly three times.

The accident will "undoubtedly intensify concerns about nuclear power among the public," admitted an official of the Agency of Natural Resources and Energy. The MITI-affiliated agency is responsible for the administration of Japan's nuclear power plants. "It is quite important to clarify the cause of the accident, and explain it straightforwardly to the public to regain confidence in nuclear power plants," he said.

Kansai Electric Power Co. officials said damage to the plant's steam generator allowed radioactive water to flow from the system that cools the reactor's core to the so-called secondary cooling system, which produces steam to drive a turbine, generating electricity.

MITI Minister Eiichi Nakao may order ahead-of-schedule examinations of Japan's other reactors similar to the Mihama plant, he told the Budget Committee in the House of Representatives.

There are 16 pressurized light-water reactors nationwide in addition to the No. 2 reactor at the Mihama plant in Fukui Prefecture. Nine of the 16 reactors are now in operation, with the other seven temporarily shut down for regular checkups. For MITI, the accident was a serious blow to its long-term energy supply policy, which depends heavily on nuclear power.

Under the long-term energy supply outlook MITI released last October, nuclear energy is projected to account for 16.9 percent of the nation's energy supply in 2010, up from 8.9 percent in 1989. Raising Japan's dependence on nuclear power to that level will require 40 new megawatt capacity nuclear plants by 2010.

Even before the Mihama accident, the government was hard put to find sites for the new plants in the face of the deep-rooted opposition among members of the public to having nuclear plants in their own neighborhoods, even if they support nuclear power in principle. Only 14 sites have been named so far for the new plants.

While the MITI officials made it clear that they have no intention of changing their energy policy, they are bracing for tougher calls, even from governmental panels, for stricter safety measures at the plants.

Meanwhile, business circles have displayed their firm commitment to increasing the share of nuclear power in the nation's energy supply.

The chairman of the Federation of Economic Organizations (Keidanren), Gaishi Hiraiwa, said Japan has no choice but to depend on nuclear energy. "Through the best possible efforts to augment the safety at plants, we should try to eliminate concerns over further accidents," he told a news conference. "I breathed a sigh of relief to hear that the emergency core cooling system worked (at the Mihama plant). But the cause of the accident must be made perfectly clear," he added.

Official Conditions New Chip Pact With U.S.

OW1202141791 Tokyo KYODO in English 1236 GMT 12 Feb 91

[Text] Tokyo, Feb. 12 KYODO—A top-ranking official of the Ministry of International Trade and Industry (MITI) on Tuesday hinted that Japan will accept a new pact to replace the current bilateral semiconductor agreement with the United States after it expires in July.

The official, who spoke on condition of anonymity, said, "We need something that demonstrates cooperation between the chip industries of the two countries." But he conditioned the acceptance of a new accord, which the U.S. requested at a working-level meeting on the matter in January, on a settlement of two nagging aspects of the agreement.

One is the dispute between Washington and Tokyo over whether Japan promised a specific share of its chip market to foreign makers, and the other is the lifting of what remains of the 100 percent tariffs that former President Ronald Reagan in 1987 slapped on 300 million dollars' worth of Japanese electronics as a sanction for the alleged failure by Japan to honor the pact, which was concluded in 1986. Reagan removed 135 million dollars' worth of electronics from the levy several months later, but the remaining 165 million dollars' worth are still subject to the tariff.

The MITI official said, "There should not be any extension of the current pact as it stands."

"There are points that should be clarified before a new agreement is reached, including the share issue and the sanctions," he said.

Trade Surplus With U.S. Increases 9.9 Percent

OW1302111491 Tokyo KYODO in English 0854 GMT 13 Feb 91

[Text] Tokyo, Feb. 13 KYODO—Japan's trade surplus more than tripled in January from a year earlier, the government reported Wednesday, but officials said the expansion came chiefly in reaction to an extraordinarily small surplus the year before.

In the latest reporting month, Japan posted an unadjusted surplus of 986.57 million dollars, much higher than the 319.37 million dollars a year earlier, the Finance Ministry said in a preliminary report. Exports grew for the eighth month in a row, rising 16.7 percent to 21,784.19 million dollars thanks to growth in car, semiconductor, vessel, and visual equipment exports. Imports rose 13.3 percent to 20,797.62 million dollars, the seventh consecutive monthly gain.

January was the first in five months in which the trade surplus widened on a year-to-year basis. The trade balance was tallied on a customs clearance basis, in which freight and insurance charges are included in imports but not in exports.

Assessing the cause of the January expansion in the surplus, ministry officials said it was a one-time aberration resulting from a favorable seasonal factor in January. The nation's trade surplus usually narrows in January because the long New Year's holiday cuts exports. This year the surplus itself was small when compared with 5.388 billion dollars in December. The officials also singled out a drop in the price of imported oil, which helped curb import growth, together with a slight falloff in the volume of oil imports.

During the month, the price of imported oil averaged 28.6 dollars per barrel, down from the 32.7 dollars per barrel in December, although it was still sharply higher than the year-earlier level. In January, oil imports continued to expand in value despite a price tumble, registering a 51.6 percent gain. However, they fell for the first time since July 1989, showing a 1.8 percent drop.

One ministry official said the contraction in oil import volume appears to have reflected a rush of oil imports before the U.N.- imposed January 15 deadline for Iraq's withdrawal from Kuwait. He said the January oil import data suggests that the sharp spike in oil imports in the wake of the Gulf crisis has passed its peak.

With the United States, the trade surplus rose 9.9 percent to 2,406.28 million dollars, marking the second time in the last 15 months in which the surplus with the nation's biggest trade partner expanded. Exports to the

U.S. grew 7.2 percent to 6,651.75 million dollars, while imports from that country increased 5.7 percent to 4,245.47 million dollars.

The export growth was bloated by gains in steel, visual equipment such as video recorders and camcorders, autos and optical devices. Imports from the United States grew swiftly in copper and related alloys, aluminum and related materials, and electronics parts such as semiconductors.

The trade balance with the 12-nation European Community showed a surplus of 1,620.36 million dollars, scoring a surprising 85.9 percent surge from the year-earlier level. The widened trade gap resulted from the first drop in imports from that region since March 1990 despite continued growth in exports. Imports from the EC dipped 1.1 percent to 2,869.25 million dollars, while exports rose 19.0 percent to 4,489.61 million dollars.

With Asia, including China, Japan had a surplus of 751.16 million dollars, contrasting with a deficit of 295 million dollars a year earlier. Exports climbed 37.8 percent to 7,006.09 million dollars, while imports grew 16.3 percent to 6,254.92 million dollars.

Agency Says Private Oil Reserve Not To Change

OW1202212791 Tokyo KYODO in English 1445 GMT 12 Feb 91

[Text] Tokyo, Feb. 12 (KYODO)—The Agency of Natural Resources and Energy said Tuesday that Japan's private sector will continue to have oil reserves equal to 78 days' supply in fiscal 1991, unchanged from fiscal 1990.

The decision will be announced in the government's official gazette on Wednesday and by March 15 the agency will notify individual oil distributors of their stockpile quotas for the fiscal year beginning April 1, agency officials said.

On January 17, the day the Persian Gulf war broke out, the government decided to reduce the private-sector oil reserves in Japan in fiscal 1990 to the level equal to 78 days' supply from the originally targeted 82 days' supply in accordance with an emergency oil sharing agreement of the 21-nation International Energy Agency (IEA) agreement.

Based on this decision, Japanese oil companies are scheduled to draw on their reserves to 78 days' supply by the end of this month.

Wholesalers To Cut Prices of Petroleum Products

OW1202154791 Tokyo KYODO in English 1109 GMT 12 Feb 91

[Text] Tokyo, Feb. 12 KYODO—In response to the downward trend in world crude oil prices, Japan's 10 major oil wholesalers said Tuesday they will jointly lower prices for petroleum products on Saturday, for the third time in three months.

Wholesale prices for gasoline, kerosene, and other products will fall 2.60-3.80 yen per liter, with five companies planning a 3.40 yen price cut. The other two leading oil importers, Nippon Oil Co. and Taiyo Oil Co., will also cut wholesale prices, by 3.30-40 yen on February 20.

The wholesale price reduction will translate into an average retail price of 128 yen per liter of gasoline, a sharp decline from the 138 yen average price seen last November and the first fall below the 130 yen mark since September.

The joint price reduction came in line with a nearly 4 dollar drop in crude prices amid a glutted market and the recent sharp upswing of the yen's value against the U.S. dollar. These factors combined to slash crude importing costs by around 4 yen per liter.

'Source': GATT Talks To Continue Into July

OW1202175991 Tokyo KYODO in English 1033 GMT 12 Feb 91

[Text] Tokyo, Feb. 12 KYODO—The deadlocked negotiations in the current round of multilateral trade talks will continue into July, a government source said Tuesday.

The source ruled out any early conclusion of the talks, being held under the General Agreement on Tariffs and Trade (GATT), because of the failure of recent efforts by GATT Secretary General Arthur Dunkel to break an impasse over farm subsidies.

Dunkel held talks with officials from the United States, the European Community, and Japan in late January in his efforts to break the impasse, but got nowhere, the source said.

The farm impasse caused a suspension of the GATT Uruguay Round at the ministerial meeting early December. The meeting had been expected to bring the four-year talks to a conclusion. A series of attempts to start the GATT negotiations rolling again have failed since then.

The source said U.S. trade officials are certain to seek an extension of the so-called "fast track" mandate from Congress. The mandate requires a take-it-or-leave-it vote on any GATT accords submitted by the U.S. trade representative to Congress by the March 1 deadline.

The possibility is slim that the protectionist Congress will grant an extension without strong inducements, the source said. He said the U.S. will press Japan to display a commitment to open its rice market as leverage to persuade congress to accept the extension.

Mieno Denies Report on Possible Discount Rate Cut

OW1302074291 Tokyo KYODO in English 0704 GMT 13 Feb 91

[Text] Tokyo, Feb. 13 KYODO—Bank of Japan (BOJ) Governor Yasushi Mieno on Wednesday characterized as "totally groundless" a broadcast report that the central bank is studying the possibility of a cut in the official discount rate.

His statement at a regular press conference followed a similar denial earlier in the day by central bank sources of the report aired by Japan Broadcasting Corp. (NHK). The BOJ previously cut the discount rate by half a percentage point to 6.0 per annum last August.

Mieno said foreign exchange market movements are fluid due to the recent discount rate changes by the United States and Germany, but that there will be no big unilateral swing in foreign exchange markets.

If foreign exchange markets fluctuate too wildly, the BOJ is prepared to intervene in coordination with other central banks, Mieno said.

Regarding domestic economic trends, the central bank head said Japan's economic fundamentals are still sound, though he admitted some signs indicating an economic slowdown.

Further on Mieno Comments

OW1302091591 Tokyo KYODO in English 0815 GMT 13 Feb 91

[Text] Tokyo, Feb. 13 KYODO—Bank of Japan (BOJ) Governor Yasushi Mieno on Wednesday described as "groundless" a report that the central bank is considering an immediate cut in the official discount rate, and stressed that there is no shift in the BOJ's tight monetary policy.

Speaking at a regular press conference, Mieno said the central bank is still monitoring how the credit tightening over the past couple of years is working out. His comments came on the heels of a report early Wednesday by Japan Broadcasting Corp. (NHK) that the BOJ and the Finance Ministry are studying the possibility of 0.5 percentage point reduction in the official discount rate.

The BOJ has raised the key lending rate that it charges on loans to banks from 2.5 percent to 6.0 percent in five rounds of hikes since May 1989.

Asked about the diametrical moves in German and U.S. base rates, Mieno said the monetary shifts are aimed at noninflationary, sustained economic growth, and thus consistent with the recent agreement among the Group of Seven (G-7) industrial nations.

In a preemptive step against inflation, the German Bundesbank raised its key interest rate by 0.5 percentage point to 6.5 percent effective from February 1, which was followed by a 0.5 percentage point cut in the discount rate to 6.0 percent by the U.S. Federal Reserve Board on the same day.

Referring to the 4.2 percent jump in consumer prices in the closely watched Tokyo metropolitan area in December, the central bank chief warned that prices still need vigilance. Particularly worrying, he said, is that factors other than crude oil and fresh food prices have become increasingly apparent in prices.

These factors include higher costs for labor, transportation, and raw materials, which largely stem from the tight supply-demand balance in the labor and product markets amid a heating economy.

Dismissing concern over business trends, Mieno said the country's economy is in better shape than those voicing such worries perceive, but he admitted its growth has been braked partly by prolonged high interest rates.

A number of recent economic indexes point to a slowdown in economic growth. They include a 30 percent drop in December machinery orders, a leading barometer foreshadowing future trends in capital spending, announced Tuesday.

"I don't believe the economy is heading toward a major downturn," Mieno said, adding that a modest deceleration is desirable to help the economy sustain its expansion, which has entered its fifth year.

The central bank governor, in response to a question about the foreign exchange market, said that any wild gyrations of the market would prompt the G-7 central bankers to "take an appropriate measure under international cooperation and coordination," indicating a concerted intervention in the market.

In the wake of the interest rate changes in the U.S. and Germany, the dollar has been under mounting pressure as lower U.S. rates make the currency less appealing to investors seeking higher yields.

Central banks in the G-7 and other major countries, spearheaded by the U.S. Fed, appeared in the overseas markets over the past several sessions to underpin the staggering dollar, in particular against the high-flying German mark.

Mieno also said the BOJ's discount rate hikes have partly caused the cracks to appear in the so-called "bubble phenomenon," resulting in surging bankruptcies among companies which grew rapidly on the back of assets inflation in the go-go '80s. Despite growing fears of further insolvencies, Mieno said the central bank will not act in consideration solely of the trend. Terming the U.S. banking reform package as "rather drastic," Mieno also said the plan will affect Japan's own efforts to revamp its outdated financial system.

The reform package, unveiled early this month, is the most comprehensive overhaul of the American financial system in half a century, proposing scrapping or relaxing of long-standing laws regulating interstate banking, deposit insurance, and the separation of commercial banks and companies from the securities and insurance industries.

Mongolia

Prime Minister Announces Free Customs Zones Plan

OW1202000891 Ulaanbaatar MONTSAME in Russian 1501 GMT 6 Feb 91

[Text] Ulaanbaatar, 6 Feb (MONTSAME)—During a meeting with a group of representatives of local authorities of a number of the country's somons, D. Byambasuren, Prime Minister of the MPR [Mongolian People's Republic] Government, said that, in the near future, free economic zones will be established in a number of border areas of the country where there are deposits of useful minerals and the necessary economic and transport infrastructures.

In the first instance, it is projected to (establish) such zones in the cities of Altanbulag, Hobd (northwest of Mongolia), Saynshand, and Choybalsan (southeast of the country), he said.

Opposition Warns of USSR Conservatives' Effect

OW1302101591 Tokyo KYODO in English 0735 GMT 13 Feb 91

[Text] Tokyo, Feb. 13 KYODO—Gains by conservative forces in the Soviet Union could have a domino effect in Mongolia, and set back efforts to introduce a free market economy, Mongolian opposition leader Sanjaasurengiyn Dzorig said Wednesday.

Dzorig, general coordinator of the Mongolian Democratic Union, said he is concerned that right-wing politicians in the Soviet Union may try to influence conservative political groups in Mongolia to preserve socialism.

Economic chaos in the Soviet Union is causing shortages of oil and economic deprivation that could threaten the consensus to build a market economy, Dzorig said in an interview with KYODO NEWS SERVICE.

At present the Mongolian people are 100 percent behind the free market policy, "but prolonged economic difficulties could affect their views," Dzorig said, speaking through an interpreter.

Government measures to conserve resources such as petroleum have so far garnered public support, Dzorig said, and estimated the government has one to two years to overcome its economic difficulties.

Foreign assistance will play an important role in helping Mongolia achieve economic independence from the Soviet Union, and making a successful economic transition, he said.

The government aims to create an economy in which 70 percent of production is under private ownership, with 30 percent in the hands of the state, Dzorig said.

Mongolia, a vast landlocked nation of two million, depends on the Soviet Union for all of its oil imports. Its factories cannot run without parts from the Soviet Union, which served as Mongolia's economic and ideological mentor until political changes swept through the two countries.

Last summer Mongolia held its first free multiparty elections following seven decades of communist rule.

Dzorig, 28, is in Japan at the invitation of the Foreign Ministry as part of the ministry's program for young leaders.

Minister Comments on Small Enterprises Development

OW1102131191 Ulaanbaatar MONTSAME in Russian 1442 GMT 6 Feb 91

[Text] Ulaanbaatar, 6 Feb (MONTSAME)—The question of the development of small enterprises in the country was one of the main topics of discussion at the regular meeting of the MPR [Mongolian People's Republic] Government. This year the Labor Ministry is planning to allocate 145 million turgiks and $70 million [as received] from the state budget for building small enterprises. In the future, the amount expended by the ministry for this purpose will reach 100 million turgiks and $60 million [as received] a year, Labor Minister Tsolmon said when addressing the government meeting.

The labor minister drew the attention of the Council of Ministers to the expediency of creating a state fund, directed at rendering financial assistance, promoting existing small enterprises in the country, and supporting the building of new ones.

The meeting's participants exchanged opinions on which enterprises should be regarded as small ones, and the direction of the development of such enterprises. Members of the government, in principle, approved the proposals submitted by the Labor Ministry on the development of small enterprises.

Currently, there are 327 private enterprises, and 1,800 cooperatives operating in the MPR which can be included in the category of small enterprises. There is an average of nine people working in each enterprise. In 1991, their network will be increased by more than 90 new enterprises. The government sees the development of small enterprises as the most important factor in meeting the population's consumer goods requirement and improving the quality of public services.

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North Korea

North Holds News Conference on Sports Talks

SK1302121091 Pyongyang Domestic Service in Korean 1220 GMT 12 Feb 91

[News conference by North's chief delegate Kim Hyong-chin, at the North-South sports talks at Panmunjom on 12 Feb—recorded]

[Text] At the end of the fourth round of the North-South sports talks to negotiate and settle the question of forming a single North-South team to participate in major international athletic events, including the 41st World Table Tennis Games, Kim Hyong-chin, vice chairman of the DPRK Olympic Committee and chief delegate of the North side's delegation, held a news conference.

Chief delegate Kim Hyong-chin apprised reporters of the situation.

[Begin Kim recording] As you reporters know, the fourth round of the North-South sports talks ended just now. For the first time in the nation's history we can announce to the world that an agreement on forming a single North-South team was reached at today's round of the sports talks. Specifically, both sides' delegates fully agreed to and signed papers on the question of forming a single North-South team to participate in the 41st World Table Tennis Games and the 6th World Youth Soccer Games.

This is a special historic event both in our sports history and in our national history. Also, a single North-South team can come into being in the 1990's, not in the 1960's and 1970's. This will be a stepping stone for reunification, and a good gift to all the fellow countrymen who desire reunification.

In addition, it can be said that forming a single team is a happy event and a festival of the nation. In practice, the North and the South have held talks for about 30 years to form a single team. During this period, the North and the South did not produce a single team, owing to various twists and turns.

At long last, today in the 1990's, moving toward reunification, precisely on 12 February, we can announce to the world the formation of a single North-South team. Given the process of the talks this time, it can be said that there have been more than a few stumbling blocks and twists and turns in the North-South sports talks to form a single team for the 41st World Table Tennis Games and for the 6th World Youth Soccer Games.

As we have said in the whole course of the sports talks, in the process of the North-South sports talks this time—that is to say, in the process of the third and fourth rounds of the talks—our North side's delegates felt bad. In addition, an atmosphere which is a stumbling block to forming a single team was created.

Driven by the desire, however, to form the single teams at the earliest possible date, as hoped by all the fellow countrymen, we have shown all manner of sincerity and magnanimity. So we have made every sincere effort possible at the talks to bring the single teams into being, although there was not present the sincere atmosphere necessary to hold serious talks for forming the single teams.

In addition, in the course of the just-concluded talks, our side has shown itself to be magnanimous by unprecedentedly accepting the South side's (?proposals) despite the possibility of an assortment of problems arising in the course of forming single North-South sports teams in the future.

In the course of today's talks, the South side came to up with the intention of holding general training for North-South athletes who would participate in the 41st Table Tennis Championships on the spot. In spite of this, it made an inappropriate and unreasonable proposal for holding general training in Seoul if training could not be conducted in Pyongyang. We considered it lucky, however, that the South side had agreed on our just proposals worked out to bring the single teams into being, which all the fellow countrymen—and particularly sportsmen, including myself—hope for so much.

Thus, we have just entered a historic era, declaring before the world the birth of the single North-South teams to be sent to the 41st World Table Tennis Championships and the 6th World Youth Soccer Championships as a result of today's fourth round of North-South sports talks.

The two sides will hold meetings of working committees in the future according to the agreement reached at today's talks. I am convinced that these working committees can easily settle issues without running into any obstacles if they approach their work with a sincere position as well as the attitude that they truly desire the single teams and that through these single teams they will contribute to achieving national reconciliation, unity, and reunification of the country.

So the future members of the South's working committee scheduled to be formed in the future are urged to approach the meetings of the working committees based on such a stand.

Also, we express our hope that the South's Olympic Committee will make a sincere effort to make the formation of the working committee easy, proceeding from such a sincere stand and attitude.

Group Attends Korean Reunification Forum in Nepal

SK1302063191 Pyongyang KCNA in English 0551 GMT 13 Feb 91

[Text] Pyongyang February 13 (KCNA)—An international forum for supporting Korea's reunification was held in Kathmandu on February 4 and 5 under the sponsorship of the Nepalese Committee for Promoting the Reunification of Korea.

Present at the forum were Nepalese, Indian and Bangladeshi figures of political, social and the press and academic circles and people of all walks of life, more than 700 all told.

A Korean delegation headed by Chon Yon-ok, vice-chairman of the Korean Committee for Solidarity With the World People and chairman of the Korea-Nepal Friendship Association, was present there.

The new year address of the great leader President Kim Il-song was distributed as an official document at the forum.

Then followed speeches.

D. R. Regmy, chairman of the Nepalese Committee for Promoting the Reunification of Korea, in his speech said that Korea must be reunified without fail and there can be no other choice than reunification by means of confederation.

Prof. and Dr. Hingorani of the University of Delhi, India, asserted that the proposal for reunification by means of confederation is the most reasonable proposal for achieving the reunification of Korea and that the reunification of Korea should be realised without interference of outside forces on the principles of independence, peaceful reunification and great national unity.

Prof. and Dr. R. B. Jain of the University of Delhi, India, voiced full sympathy with the proposal for Korean reunification by means of confederation on the three principles of national reunification. He stressed that the reunification of Korea should be achieved without outside interference.

Prof. and Dr. Mohamed Shehid Jan of Dhaka University of Bangladesh said he gained a better knowledge of the strenuous efforts of the DPRK for the reunification of Korea.

The withdrawal of the U.S. forces from South Korea is the biggest matter, he pointed out.

Prof. and Dr. Krishna Kumar of the University of Delhi, India, had this to say:

The Korean question is a question that must be solved not only by the Korean people but also by the Asian people without fail.

Most realistic is the proposal for reunification by means of confederation based on one nation, one state, two systems and two governments advanced by President Kim Il-song.

I consider that his proposal is the most realistic and fair and aboveboard one for achieving the reunification of Korea.

I press for an immediate halt to the aggressive "Team Spirit" joint military exercises that obstruct the reunification of Korea.

The vice-chairman of the Nepal-Korea Friendship Association noted:

The division of Korea is attributable to the U.S. forces' occupation of South Korea. For the reunification of Korea the U.S. forces should withdraw from South Korea.

South's 'Suppression' of Trade Unions Criticized

SK1302112991 Pyongyang KCNA in English
1021 GMT 13 Feb 91

[Text] Pyongyang February 13 (KCNA)—The suppression of the workers of the Daewoo shipyard who are fighting to push their just demand and representatives of trade unions who supported them must be stopped at once and the arrested trade union representatives be released without delay, demanded Won Tong-ku, chairman of the Central Committee of the General Federation of Trade Unions of Korea, in a statement on February 12.

He noted that the No Tae-u ruling group on February 10 made a wholesale arrest of 69 trade union representatives of 14 units under the solidarity council of trade unions of big businesses of South Korea and now intends to severely punish them on charges of violation of the "Labour Disputes Mediation Act" and "Law on Assembly and Demonstration" after all-night questioning.

On no ground can their deeds be an object of suppression either in view of the mission of trade unions which defend the interests of workers or in view of the justice of the strike of workers at the Daewoo shipyard, he said, and stressed:

It is a legitimate right of theirs belonging to the three rights of labour for the workers to stage a sit-in and walkout in demand of their elementary right to existence and democratic liberties and for the representatives of trade unions to support them.

Won Tong-ku stressed that the No ruling group's unwarranted arrest of trade union representatives and its scheme to harshly punish them by invoking fascist laws are aimed at putting down at its initial stage the South Korean workers' struggle for wage hike which is likely to gain in scope, signalled by the strike of Daewoo workers.

He earnestly called upon the workers of the Daewoo shipyard not to cease their righteous struggle but continue fighting daringly till their demand is met, and expressed the expectation that all the South Korean workers would render positive solidarity to their strike.

U.S. Staging of 'Nuclear War Games' Criticized

SK1302112491 Pyongyang KCNA in English 1014 GMT 13 Feb 91

["The United States Must Immediately Remove Nuclear Threat to DPRK"—KCNA headline]

[Text] Pyongyang February 13 (KCNA)—It is the United States frequently staging nuclear war games, not us who have no nuclear arms, that increases the danger of nuclear war on the Korean peninsula, says NODONG SINMUN in a by-lined article today.

The article reads in part:

The threat of war on the Korean peninsula today comes from the South and, subsequently, our people are exposed to a constant nuclear threat.

The U.S. imperialists, however, do not cease to shamelessly take issue with us over the question of nuclear inspection, keeping mum about their direct nuclear threat to our people.

They spread a false rumour that the DPRK refuses to sign the Nuclear Safeguards Accord and egg their stooges like the South Korean rulers on to making much ado about it.

As to the question of signing the Nuclear Safeguards Accord, we have never refused it, and a basic agrement has been reached in principle between us and the International Atomic Energy Agency. It is our stand to sign this accord at an early date and, in actuality, we are ready to do it any moment.

What matters is the fact that the United States is threatening us at all times after deploying a large number of nuclear weapons in South Korea.

The nuclear non-proliferation treaty, by origin, presupposes guarantee of security to non-nuclear states. Hence, the obligations of non-nuclear states under this treaty premise that nuclear states implement their obligations under it.

Under the circumstances of our country which is directly exposed to the threat of nuclear attack from the United States the question of signing the Nuclear Safeguards Accord cannot be confined merely to discharging its legal duties under the Nuclear Non-Proliferation Treaty. Accordingly, a peaceful climate must be created, above all, in which we can sign the Nuclear Safeguards Accord with the International Atomic Energy Agency.

If we are actually to sign the accord under the present condition in which we are actually facing a direct nuclear threat from the United States, there must be commitments to the elimination of the U.S. nuclear threat to us and legal guarantee of security.

If the United States, a nuclear state, truly wants to justify itself as a signatory to the Nuclear Non-Proliferation Treaty, which is deposited with it, it must immediately remove all factors of nuclear threat to us and commit itself to legally guaranteeing us security.

Reduction of Team Spirit Viewed With 'Vigilance'

SK1302111891 Pyongyang KCNA in English 0959 GMT 13 Feb 91

["Provocateur's Sophism To Justify Aggression and War"—KCNA headline]

[Text] Pyongyang February 13 (KCNA)—We are watching with vigilance the adventurous nuclear war exercises the U.S. imperialists and the South Korean authorities are staging against the North, claiming that their "scale has been slashed" and "period shortened", declares NODONG SINMUN in a by-lined article today.

The article notes:

Advertising the "reduction of scale" and "curtailment of period" of the "Team Spirit" joint military exercises this year, the U.S. imperialists and the South Korean authorities claim that this is an expression of "good faith" for the relaxation of tensions on the Korean peninsula. This is a sophism of the provocation to justify aggression and war.

Not only once did we demand that the U.S. imperialists and the South Korean authorities stop "Team Spirit" joint military exercises laying a grave obstacle in the way of peace on the Korean peninsula and its peaceful reunification. The U.S. imperialists and the South Korean puppets, however, have accepted none of our peace proposals and started the "Team Spirit" joint military exercises this year, too, a stop of which we demanded so strongly.

Although they talk about the "reduction of scale", they are bringing all the main units to be hurled into a Korean war from the U.S. mainland, Hawaii, Okinawa, the Philippines and other Pacific bases as they did in the past.

Last year the U.S. imperialists had announced that they would stage the "Team Spirit 90" with the mobilisation of 180,000 troops, 20,000 less than the preceding years. But their revised announcement later indicated that more than 198,000 troops were thrown into the manoeuvres. And they confessed that the 2,000 men cut off from the previous figure were maintenance personnel.

As far as the "curtailing of the period" is concerned, the U.S. imperialists and the South Korean authorities officially announced that the "Team Spirit 91" joint military exercises would continue from the end of January to the end of April. When we recall that they staged the manoeuvres from early February through to April last year, this is not a curtailment of the period but its extension.

It is not worth serious discussion how nonsensical the "reduction of scale" and "curtailment of period" loudly advertised by the U.S. imperialists and the South Korean authorities is.

It is ill-boding that they are spreading such rumour.

No sooner had the Gulf war broken out than the U.S. imperialists and the South Korean puppets declared an "emergency wartime system" throughout South Korea, taking issue with us and are scheming to seize upon a chance of igniting a war against the North while staging "Team Spirit" war game with the mobilisation of aggression force from the U.S. mainland and the Pacific.

If the U.S. imperialists and the South Korean authorities continue war exercises and seek to unleash a war against the North, ignoring our repeated warnings, they will face an annihilating retaliatory blow from our people.

MAC Conducts 459th Session on 13 Feb

Choe Denounces 'Team Spirit'

SK1302110691 Pyongyang KCNA in English 1036 GMT 13 Feb 91

[Text] Kaesong February 13 (KCNA)—The 459th meeting of the Military Armistice Commission [MAC] was held at Panmunjom today at the proposal of our side.

At the meeting, our side denounced the U.S. imperialists and the South Korean puppets for bringing the situation on the Korean peninsula to the extreme pitch of strain and trying to lay a grave obstacle in the way of North-South dialogue by starting the "Team Spirit" joint military exercises this year again in wanton violation of the Armistice Agreement, and called the U.S. side to account for this.

Major General Choe Ui-ung, senior member of our side, said the "Team Spirit 91" joint military manoeuvres started by the U.S. imperialists and the South Korean authorities are an unpardonable challenge to our people, a flagrant violation of the Korean Armistice Agreement and a criminal act foiling North-South dialogue and wrecking peace, and strongly urged the U.S. side to promptly stop the aggressive joint military exercises.

However, the U.S. side, far from stating that it would discontinue the large-scale nuclear war game, attempted to justify its criminal acts with the excuses that it is "defensive" and "its scale has been curtailed".

Showing to the U.S. side video-recorded scenes of the "Team Spirit" manoeuvres, Choe Ui-ung said all the facts clearly prove that they are not "defensive" exercises but a preliminary war and a test nuclear war to invade the Northern half of Korea.

Displaying video-recorded scenes and materials, he said the "Team Spirit" had created a big obstacle to the peace and reunification of our country.

The senior member of the U.S. side tried to evade the debate on the "Team Spirit", arguing that it is not a matter to be discussed at the MAC meeting.

Since the U.S. side persistently evaded the debate on the matter of putting an end to the joint military exercises at the MAC meeting, Choe Ui-ung, as a new solution, proposed to present the following recommendations to the government authorities concerned in the name of both sides to the MAC:

Recommendations to the government authorities concerned

Considering that such large-scale military exercises as "Team Spirit" staged in an unstable state of Armistice on the Korean peninsula with hige armed forces confronting each other on both sides of the Military Demarcation Line, further aggravate the tensions, increase the danger of war and lay a grave obstacle in the way of North-South dialogue which is developing favourably, the sides to the Military Armistice Commission recommend that the North and the South of Korea and the U.S. Government to sit down together at an early date and negotiate the matter of stopping large-scale military exercises on the Korean peninsula.

The senior member of the U.S. side, however, refused to accept even this reasonable and just proposal of ours.

As a matter of fact, Choe Ui-ung said, what the U.S. side only pursues is the "peaceful transition" strategy for destroying the socialist system of the North and, if it does not work, a foolish design to have "Korea reunified by prevailing over communism" with strength.

The destiny of North-South dialogue depends on whether the U.S. side continues the "Team Spirit 91" or stop it, Choe Ui-ung said, and continued:

The United States and the South Korean authorities must not misjudge the will of our people and People's Army soldiers but look straight at the reality and act with discretion.

If they continue the "Team Spirit 91" in defiance of our just demand, we will not remain an onlooker.

Our revolutionary armed forces and entire people will follow with a high degree of revolutionary vigilance such aggressive acts of the United States as staging a large-scale test nuclear war on the Korean peninsula, synchronizing with the outbreak of the Gulf war, and resolutely counter its reckless war game by legitimate, self-defensive measures.

Violation of Armistice Protested

SK1302064991 Pyongyang Domestic Service in Korean 0211 GMT 13 Feb 91

[Text] At the request of our side, the 459th meeting of the Military Armistice Commission [MAC] is now being held in Panmunjom.

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At the meeting, our side strongly protested to the U.S. imperialists and the South Korean puppet ring for recklessly violating the Armistice Agreement and conducting the aggressive Team Spirit joint military exercise, thus extremely straining the situation on the Korean peninsula and creating a grave stumbling block to North-South dialogue.

At the meeting, Major General Choe Ui-ung, our side's senior member, said as follows:

As is widely known to the world, the Team Spirit joint military exercise is a preliminary war and nuclear test war which regards our Republic as their attack target.

In the past few years enormous military forces of some 200,000, thousands of warships, 2,000 aircraft, 1,200 tanks, and more than 25,000 military vehicles have been mobilized. This is an armed force big enough to kick off a huge war.

In particular nuclear aircraft carriers, submarines, destroyers, B-52 strategic bombers, F-15 and F-16 fighter-bombers, nuclear missiles of various kinds, and nuclear equipment have been mobilized.

The U.S. side will conduct such an aggressive war exercise this year too. Our people and the world peace-loving people thought that the U.S. side would not conduct the Team Spirit-91 joint military exercise this year in keeping with the situation of the Korean peninsula heading towards detente.

Contrary to such expectations and hope, however, the U.S. side is conducting the aggressive Team Spirit joint military exercise. This is an unbearable challenge to our sincere efforts. In addition, this is a crime hampering peace and peaceful reunification of Korea.

This also nakedly shows the aggressive nature of the United States. This is clear proof that there is no change in the U.S. policy of aggression which threatens and dominates other countries with armed forces.

Stressing that we can never tolerate the aggressive Team Spirit-91 war exercise which goes against easing tension on the Korean peninsula, our side's senior member went on to say as follows:

This year in particular, we regard the Team Spirit war exercise as grave. This is because the Team Spirit is conducted under the circumstances in which a war-like atmosphere has been created across South Korea.

From the beginning of this year, the U.S. side, by mobilizing a large number of fighters, has continuously conducted aerial war exercises designed to attack us. The U.S. side has artificially strained the situation. On 3 January, the U.S. side introduced into South Korea a number of military planes of various types from U.S. air bases in the Pacific and conducted a joint military exercise together with the fighters of the South Korean forces. A total of 540 fighters were mobilized in the exercise.

Such a war exercise has been constantly conducted from the beginning of this year.

In particular, some time ago the U.S. side declared an emergency wartime system in South Korea under the pretext of the war in the Gulf. At this moment, a large number of U.S. forces and ultramodern war equipment have been introduced into South Korea. Still worse, a large-scale war exercise has been conducted with the mobilization of a large number of military forces.

How can we look on such a situation with folded arms? So far, the Team Spirit joint military exercises have been conducted on 16 occasions. The Team Spirit joint military exercise, however, was never held under the grave war-like atmosphere that can be seen all across South Korea today.

Why we cannot but regard this year's Team Spirit war exercise as grave is that it is being conducted at a time when North-South dialogue has reached a very important stage. North-South high-level talks have been held between the North and South, and the question of adopting a nonaggression declaration has been put on the agenda.

In addition to the success last year, the government of our Republic put forward a new epoch-making proposal to turn this year into a year of detente and peace, a year of reconciliation and unity, and a historic year opening a new phase of national reunification.

As is already known, at yesterday's North-South sports talks the question of forming a single North-South team was fully agreed upon. This is the first such occasion in our history since our country's division. Thus, this gives a great pleasure to the entire Korean people.

This notwithstanding, the U.S. side is conducting the aggressive Team Spirit-91 joint military exercise, going against North-South relations which are developing favorably. Thus the U.S. side is trying to put the North-South dialogue into a grave crisis once again. This cannot but be a very grave problem.

Why we cannot but regard the Team Spirit-91 war exercise as grave is that it is being conducted under the circumstances in which preparations for a war of aggression have already completed in South Korea. Through the Team Spirit war exercises—which have been conducted on 15 occasions from 1976 to last year—the U.S. forces and the South Korean forces have finished preparations for provoking a war of aggression. This is not a secret.

Through these exercises, the U.S. side has finished its plans and preparations to rapidly introduce into the Korean peninsula enormous U.S. forces and ultramodern equipment from the U.S. mainland and from the Pacific region. In addition, the U.S. side has decided on a plan to invade the North, a plan whose contents consist of nuclear attacks, a large-scale amphibious landing, and aerial strikes.

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A war cannot always break out under a specific circumstance. If a war exercise—which is conducted on land, at sea, and in the sky with the mobilization of a large number of military forces and modern striking means—develops into a military operation attacking the other side, this will be a war. Furthermore, in our country, where enormous armed forces of both sides stand in acute confrontation along the Military Demarcation Line, a war can easily break out with a small accidental event.

In the 20 days since the Team Spirit-91 joint military exercise was announced, the U.S. side has perpetrated approximately 1500 military provocations around the Military Demarcation Line, including gunshots against our side. This is also very grave.

Once again, the black cloud of war is approaching the Korean peninsula, and North-South dialogue is faced with a grave challenge. The Team Spirit-91 joint military exercise is a wanton violation of not only the Armistice Agreement preamble stipulating complete cessation of hostilities and of all acts of armed force in Korea, but also Sub-paragraph 13 C and D calling for ceasing the introduction into Korea of reinforcing military personnel and of reinforcing combat aircraft, armored vehicles, weapons, and ammunition.

The MAC exists to prevent such an act of invasion.

Our side's senior member denounced the adventurous Team Spirit-91 war exercise commotion as an unbearable challenge to our people and as a flagrant violation of the Armistice Agreement, and strongly demanded that such a war game be immediately stopped.

The meeting continues.

Exercise Called 'Strategic Plan'

SK1302124991 Pyongyang Domestic Service in Korean 0250 GMT 13 Feb 91

[Text] The 459th meeting of the Military Armistice Commission [MAC] which has been convened at the request of our side, is currently being held in Panmunjom.

At the meeting our side is repeatedly demanding to the United States side to immediately put an end to the aggressive "Team Spirit" war exercise.

Rather than responding to our demand, however, the United States side has foolishly maneuvered to rationalize their aggressive and offensive "Team Spirit" war exercise by uttering poor excuses that this exercise is for defense and that its scale has been reduced.

Our side's senior member, Major General Choe Ui-ung personally showed a recorded video tape of the process of the "Team Spirit" war exercise to the enemy side and said that this kind of aggressive and offensive war exercise cannot by any means be protected under the cloak of defense.

He exposed the aggressive and offensive character of the "Team Spirit" war exercise whose purpose can clearly be seen. The "Team Spirit" war exercise is being initiated and promoted according to the aggressive Asia and Pacific strategic plan of the United States. The Asia and Pacific strategy of the United States is an aggressive strategy to dominate and subordinate this region through force.

The primary purpose of the United States is to invade our Republic. Large sums of money and strength have been spent, and this year they are pushing to carry out the 16th "Team Spirit" joint military exercise. During this war exercise the United States is giving special significance to the combined forces' air transportation and air drop, formation and deployment, and status, and is concentrating on completing this kind of exercise.

The "Team Spirit" war exercise which is being carried out with these aggressive demands can only be an offensive exercise. The next aggressive and offensive character of the "Team Spirit" joint military exercise can be clearly seen in the troops and equipment that are being mobilized for this training. In this exercise, various up-to-date means of war have been deployed, means such as a large-scale force which is 200,000 strong, including the vast U.S. forces stationed in the U.S. mainland and the Pacific region; battleships and a flotilla of aircraft carriers; fighter-bombers to load nuclear weapons; missiles; tanks; and armored.

Various nuclear weapons and means to transport nuclear weapons including Lance missiles were brought in and these are the major armaments. These are the materials which the enemies themselves had announced. Therefore how can this war exercise, which is being carried out by mobilizing enough forces and nuclear attack means to carry out a full-scale war, be defensive training? There is no way to allege that a nuclear weapon is a defensive weapon.

When viewing the current situation of the Gulf war, it is all the clearer to see for what purpose the up-to-date weapons and military equipment which are being mobilized every time the "Team Spirit" joint war exercise is being held, and that they will be used in the future on the Korean peninsula.

The aggressive and offensive character of the "Team Spirit" joint military exercise is further clearly seen in the content of its training. The important contents of the "Team Spirit" joint military exercise includes the sea landing operations, ground attack operations, river-crossing operations, commando unit operations, and strike operations by aircraft squadrons.

In the ground attack operations exercise, the United States is using strike means including the Lance missile to carry out strikes at the depth of the counterpart, and is carrying out exercises to increase attacks.

In the sea landing operations exercise, the United States side chose the Pohang region as the place for training because it has a similar topography as that of the coast of the northern half of our Republic, and is carrying out exercises of landing at the counterpart's coast; maintaining a base of operations; and attacking at the depth of the counterpart.

Why is the United States holding landing operations and ground attack operations even though they are saying that they are holding defensive training?

Moreover, if they want to hold a defensive exercise, they should carry it out in their country and land. Why are they carrying out the training in someone else's land, where they came by crossing the distant ocean?

It is a fact that the enemies themselves have already recognized that the Team Spirit war exercise is aggressive and offensive training. During the 1987 Team Spirit war exercise, (Libsy), former commander of the U.S. forces in South Korea, said that they would attack deeply into the core of the North; a former authority of South Korea said that if the past training was passively carried out for the main purpose of defense, then the exercise now has been offensive training based on the offensive operations.

Our side's senior member emphasized that all facts clearly show that the Team Spirit joint military exercise is not defensive training but that it is a preliminary war and nuclear-testing war to invade the northern half of our Republic. He also said that this kind of aggressive and offensive character was revealed little by little while carrying out the Team Spirit war exercise which has been repeatedly carried out 15 times up until now.

Our side's senior member continued to talk about the United States side, babbling as if the scale of the 1991 Team Spirit war exercise has been reduced, and said that the United States side is babbling about some kind of reduction in the scale of the Team Spirit war exercise while in reality in this year's Team Spirit war exercise more up-to-date and sophisticated forces and modern weapons for mass slaughter are being deployed as compared with the past.

When viewing the time of the military exercise, last year it was carried out from early February to mid-April but this year it will be carried out from late January to late April.

Our side's senior member counter-questioned, saying how dare the United States talk about the reduction of the scale of the Team Spirit war exercise when this is a fact, and said that the world's people know that last year and the year before the United States side tried to change the opinion of the world's people to think that the scale and time had been reduced, but in reality they know very well that it has been increased instead.

He said that talking about defensive training and the reduction of scale does not coincide with the truth, and that the aggressive and offensive character of the Team Spirit war exercise cannot be concealed or the world's opinion misled.

Then our side's senior member once again demanded that the United States-side's aggressive 1991 Team Spirit nuclear war exercise be stopped at once.

The meeting continues.

'Obstacle' to Dialogue Denounced

SK1302051891 Pyongyang KCNA in English 0500 GMT 13 Feb 91

[Text] Kaesong February 13 (KCNA)—The 459th meeting of the Military Armistice Commission [MAC] has opened at Panmunjom at the proposal of our side.

At the meeting, our side strongly protested the U.S. imperialists and the South Korean ruling group for carrying the situation on the Korean peninsula to the extreme pitch of strain and trying to lay a grave obstacle in the way of North-South dialogue by forcing the aggressive "Team Spirit" joint military exercises this year again in wanton violation of the Armistice Agreement.

Major General Choe Ui-ung, senior member of our side, said that the aggressive "Team Spirit" joint manoeuvres being staged by the U.S. side are a criminal action obstructing peace and peaceful reunification of Korea.

We cannot but take a serious view of the aggressive "Team Spirit 91" war game because it is being staged when a terror-ridden atmosphere of war has been created and preparations for a war of aggression have already been completed in South Korea, he said.

Another reason why we take a serious view of the war game is that it is being staged at a time when the North-South dialogue has reached a very important stage and the adoption of a nonaggression declaration is on the order of the day, he stated. He charged that the U.S. side has again plunged the North-South dialogue into a crisis by starting the manoeuvres.

He pointed out that the "Team Spirit 91" joint military exercises are a wanton violation of the preamble of the Armistice Agreement stipulating "complete cessation of hostilities and of all acts of armed force in Korea" and Subpraragraph 13 C and D of the Armistice Agreement calling for "ceasing the introduction into Korea of reinforcing military personnel and of reinforcing combat aircraft, armoured vehicles, weapons and ammunition".

He vehemently denounced the U.S. side's adventurous "Team Spirit 91" as an intolerable challenge to the Korean people and as a flagrant violation of the Korean Armistice Agreement and strongly demanded an immediate stop to such war game.

The meeting continues.

Choe Stresses 'Offensive Nature'

SK1302052991 Pyongyang KCNA in English 0506 GMT 13 Feb 91

[Text] Kaesong February 13 (KCNA)—Maj. Gen. Choe Ui-ung, senior member of our side to the Military Armistice Commission [MAC], repeatedly demanded of the U.S. side an immediate end to the aggressive "Team Spirit" military exercises at the 459th meeting of the MAC which is now open at Panmunjom.

The U.S. side, however, far from responding to our demand, foolishly attempted to justify the aggressive and offensive "Team Spirit" war game with the clumsy excuses that it is "defensive" and its scale "has been curtailed".

After showing to the enemy side video-recorded scenes of the "Team Spirit" manoeuvres, he stressed that all facts clearly prove that they are not "defensive" exercises but a preliminary war and a test nuclear war to invade the northern half of Korea.

The aggressive and offensive nature of the "Team Spirit" has been revealed in all its nakedness in the 15 rounds of the war game, he said, adding:

Although the U.S. side claims that the scale of the manoeuvres "has been reduced", more modernised, elite forces and latest-type destruction weapons are being hurled into them and their period is longer than the previous exercises.

He said such words as "defensive" and "reduction of scale" contradictory to facts cannot conceal the aggressive and offensive nature of the "Team Spirit" war game or mislead the world's opinion.

The meeting continues.

Exercises 'Incompatible' With Talks

SK1302053591 Pyongyang KCNA in English 0510 GMT 13 Feb 91

[Text] Kaesong February 13 (KCNA)—The "Team Spirit 91" manoeuvres being staged by the United States with the South Korean authorities are a criminal action to carry th situation to the extreme pitch, incite confrontation between the North and the South and drop a checkbar on the way of reunification dialogue, said Maj. Gen. Choe Ui-ung, senior member of our side, at the 459th meeting of the Military Armistice Commission [MAC] now open at Panmunjom.

After showing video-recorded scenes contrasting the ardent desire of the Korean people for reunification with the "Team Spirit" manoeuvres, he said that the war game is incompatible with dialogue.

He further said:

As a matter of fact, we cannot hold dialogue in peace while war game is going on. And no success can be expected even if it is held under such situation. This is a serious lesson left by the North-South dialogues thus far.

The U.S. side started the aggressive "Team Spirit 91" exercises, defying all these stark realities and clear reason. This fully discloses its nefarious stand toward peace, reunification and dialogue on the Korean peninsula.

Demanding that the U.S. side immediately stop the "Team Spirit 91", Choe Ui-ung stressed that to do so conforms to the trend of the times toward detente and negotiation and to the words of the U.S. side that it welcomes the dialogue and contact between the North and the South.

The meeting continues.

Kim Il-song Reunification Proposal Gets Support

SK1302054291 Pyongyang KCNA in English 0526 GMT 13 Feb 91

[Text] Pyongyang February 13 (KCNA)—Letters came to the great leader President Kim Il-song from the participants in the joint seminar on his New Year address held in Free Town, Sierra Leone, and in similar seminars held at the group of Central African Youth for the Study of Kimilsongism and the West African Examinations Council Branch of the Ghanaian National Institute of the Chuche Idea.

They said the proposal for founding the democratic confederal republic of Koryo based on one nation, one state, two systems and two governments, which was reiterated by President Kim Il-song in his New Year address, is the most realistic proposal for reunification which accords with the prevailing situation.

In view of the present situation of the Korean peninsula, the adoption of a nonaggression declaration is sine qua non for removing the political and military confrontation between the North and the South of Korea and opening up a new stage for peace and peaceful reunification of the country, they noted, and stressed:

The South Korean authorities must respond to the proposal of the Democratic People's Republic of Korea for the adoption of a nonaggression declaration and promptly stop the aggressive "Team Spirit" joint military exercises.

They scathingly condemned the U.S. forces' occupation of South Korea and strongly urged the U.S. forces to unconditionally withdraw from South Korea, taking along nuclear weapons and all other lethal weapons.

Kim Il-song Replies to Messages of Solidarity

From President of Benin

SK1302051291 Pyongyang KCNA in English 0458 GMT 13 Feb 91

[Text] Pyongyang February 13 (KCNA)—President Kim Il-song of the Democratic People's Republic of Korea

Sunday replied to a message of solidarity sent by Mathieu Kerekou, president and head of state of the Republic of Benin, in support of the new proposal for Korea's peaceful reunification he put forward in his New Year address.

The support and encouragement extended by the government and people of Benin each time we put forward a new reunification proposal has greatly inspired the Korean people in the struggle to ensure peace on the Korean Peninsula and bring earlier national reunification, said President Kim Il-song.

He expressed the belief that the friendly and cooperative relations between the two countries would further strengthen and develop.

From Burkinabe President

SK1302051991 Pyongyang KCNA in English 0456 GMT 13 Feb 91

[Text] Pyongyang February 13 (KCNA)—President Kim Il-song of the Democratic People's Republic of Korea sent a message on February 10 to Blaise Compaore, chairman of the People's Front, head of state and head of government of Burkina Faso, in reply to the latter's solidarity message supporting the new proposal for national reunification he advanced in his New Year address.

The support of the people and the People's Front of Burkina Faso to our proposal for national reunification is greatly helpful to our people's cause of the independent and peaceful reunification of the country, President Kim Il-song said.

He expressed the belief that the excellent relations of friendship and cooperation existing between the two countries will grow stronger and develop.

Kim Chong-il Receives New Years' Congratulations

500 Cards, Messages Received

SK1302053291 Pyongyang KCNA in English 0522 GMT 13 Feb 91

[Text] Pyongyang February 13 (KCNA)—Dear Comrade Kim Chong-il received congratulations and wishes from different countries and international and regional organisations on the occasion of the New Year, 1991.

More than 500 New Year's cards and congratulatory messages and letters came to him from party and state leaders, political parties, social organisations, high-ranking officials, chuche idea study groups, friendship an solidarity organisations of more than 100 countries on the five continents and international and regional organisations.

He received New Year's cards from party and state leaders of many countries including China, Vietnam, Pakistan, Mozambique, Peru and Ireland. Congratulatory messages came to him from party and state leaders of Egypt, Burkina Faso, Seychelles, Rwanda, Venezuela, Spain and other countries.

He also received congratulatory messages or letters from high-ranking figures, social organisations and chuche idea study organisations of various countries including Guyana, Ghana, Guinea, Mexico, Sweden, Thailand and Austria, and international and regional organisations.

Soviet Attache Sends Flowers

SK1302113491 Pyongyang KCNA in English 1047 GMT 13 Feb 91

[Text] Pyongyang February 13 (KCNA)—Dear Comrade Kim Chong-il received a floral basket and a congratulatory letter from the military attaches' corps here.

They were handed to Chief of the General Staff of the Korean People's Army Choe Kwang by Doyen of the Corps Pavel Doroshenko, military attache of the Soviet Embassy.

Egyptian President Sends Card

SK1302062791 Pyongyang KCNA in English 0543 GMT 13 Feb 91

[Text] Pyongyang February 13 (KCNA)—Dear Comrade Kim Chong-il received a congratulatory card from Egyptian President Muhammad Hosni Mubarak.

Egyptian Ambassador E.P. to Korea Bahjat Ibrahim Disuqi handed the card to an official concerned.

Kim Il-song Visits Mt. Taesong's Kwangbop Temple

SK1302050791 Pyongyang KCNA in English 0447 GMT 13 Feb 91

[Text] Pyongyang February 13 (KCNA)—The great leader President Kim Il-song Tuesday went round the Kwangbop Temple in Mt. Taesong situated in Taesong-tong, Taesong District, Pyongyang Municipality.

He was accompanied by Kang Hui-won, alternate member of the Political Bureau of the C.C. [Central Committee], the Workers' Party of Korea [WPK] and vice-premier of the Administration Council; Choe Mun-son, chief secretary of the Pyongyang Municipal Committee of the WPK and chairman of the Pyongyang Municipal People's Committee, and officials concerned.

The Kwangbop Temple in Mt. Taesong is a Buddhist temple built in 392 by King Kwanggaeto, the 19th king of Kokuryo. It is a precious historical monument of our people which shows the excellent architectural technique of our ancestors and the time-honored cultural tradition of our country.

The temple had been levelled with the ground in a brutal bombing by the U.S. imperialists during the Korean war. But it has been rehabilitated to its original state recently

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under our party's policy for well preserving and looking after national cultural legacies.

Looking round the Kwangbop Temple, President Kim Il-song noted with satisfaction that the temple has been well rehabilitated to suit the principle of historicism and the socialist content.

Noting that there are many historical monuments showing the resourcefulness and talent of the ancestors in Pyongyang, Mt. Kumgang, Mt. Myohyang and other places of the country, he taught that these historical monuments and relics must be well preserved and tended, because they are precious legacies inspiring national pride and honor in our people.

Saying that there are many old historical monuments like the Kwangbop Temple in Mt. Taesong, which add to its looks as a recreation center, he taught that the place should be arranged better so that the working people of the city and visitors may enjoy a more pleasant cultural rest.

President Kim Il-song set forth tasks arising in taking care of the Mt. Taesong recreation center and its historical monuments and relics.

'Boundless Respect' for Kim Chong-il Examined

SK1302042291 Pyongyang KCNA in English 2217 GMT 12 Feb 91

[Text] Pyongyang February 12 (KCNA)—The world progressive people express boundless respect and reverence for the dear leader Comrade Kim Chong-il, highly praising the great exploits he has performed for the times and humanity with his outstanding ideological and theoretical activities and wise leadership.

In October last year alone hundreds of gifts came to Comrade Kim Chong-il from some 100 countries on the occasion of the 45th founding anniversary of the Workers' Party of Korea.

Among them were gifts from party and state leaders and heads of governments and political parties of more than 50 countries.

Many countries in the world conferred supreme orders and honorary titles on Comrade Kim Chong-il and named a number of projects after his august name.

He was awarded the order national "Grand Officer Leopard" from Zaire, "Great Order of Condor de Chavin" from Peru, honorary citizenship title from the Georgetown City Council of Guyana and city medals from Barreiro City Office and Alcochete City Office, Setubal Province, Portugal.

According to the decisions of special meetings of university councils in Peru, Comrade Kim Chong-il was awarded the title of honorary professor of social science of Cuzco National University, the title of honorary doctor of philosophy of Arequipa San Agustin National University, the title of honorary doctor of philosophy and honorary professor of Ancash National University named after "Santiago Antunez de Mayolo" in Huaraz, and the title of honorary professor of Callao National University.

Meanwhile, Guayaquil University of Ecuador newly set up the "Kim Chong-il Hall" reflecting the unanimous desire and aspirations of all teachers and students, and in the A.N.D. College of Kanpur University in India the college hall was named "Kim Chong-il Hall" and the chuche idea is taught on the initiative of its rector.

In the Ali Ali School of Karachi, Pakistan, a class composed of the best students of the seventh grade was named "Kim Chong-il Class".

And in different countries many articles and statements were released, books were published and works of art and literature were created in praise of the immortal exploits of Comrade Kim Chong-il.

Kim Chong-il Birthplace Restored to Original State

SK1302032391 Pyongyang KCNA in English 2142 GMT 12 Feb 91

[Text] Pyongyang February 12 (KCNA)—The Mt. Paektu secret camp is situated in the thick forests of Mt. Paektu in the northernmost inland area of Korea.

In the camp which was the central headquarters of the Korean revolution from the latter half of the 1930s is a time-honored old home where dear Comrade Kim Chong-il was born and spent his childhood.

He was born in a plain log cabin of the secret camp on February 16, 1942, when the Korean People's Revolutionary Army was preparing for the final decisive battle for the country's liberation.

Born in a grim battle zone, he grew up hearing blizzards raging in the thick forests of Mt. Paektu and gun reports of the sacred anti-Japanese war.

Many relics as well as tales saying that Comrade Kim Chong-il had nurtured ardent love for the country and the people and extraordinary grit remain in the Mt. Paektu secret camp.

A low desk, a military blanket, a wooden pistol, field-glasses and his other favourites of the time are preserved with the utmost care in the reed-mat floored room of the old home which was restored to its original state.

There are also valuable momentoes reminding one that Comrade Kim Chong-suk, an indomitable communist revolutionary fighter, instilled ardent patriotism in the heart of her son.

In November 1988, the Korean people held an unveiling ceremony of the letters "Chong-il peak" which were engraved on a peak some 1,790 metres above the sea level, standing imposingly behind the old home in the secret camp.

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The headquarters of the Korean People's Revolutionary Army where the great leader President Kim Il-song stayed while leading the Korean revolution as a whole and the bedroom of his guards and other relics were restored to their original state in the Mt. Paektu secret camp.

Article Urges Upholding of Party Leadership

SK1202150391 Pyongyang Domestic Service in Korean 0010 GMT 10 Feb 91

[NODONG SINMUN 10 February special article: "It Is the Firm Guarantee for Indomitable Nature of Our Socialism To Have Great People Who Are Loyal to the Party"]

[Text] In his New Year address, the great leader Comrade Kim Il-song, while expounding the bases of firmness of our socialism, taught that one of such bases is that we have the great people who are loyally upholding the party's leadership.

The great leader Comrade Kim Il-song has taught: The great party which took deep root in the popular masses, the great people who are advancing by loyally upholding the party's leadership, and man-centered socialism which embodied the chuche idea are the elements of firmness of socialism in our country and the source of might to overcome any storm and trial.

It is a basic question related to destiny, future, and the success of the socialist cause to have the people who are loyal to the leadership of the party. The leadership of the party is a lifeline of the socialist cause, and the popular masses are in charge of and executors of the socialist cause.

Victory of socialism can be won by the correct leadership of the party and by the struggle of the people who are advancing by devotedly upholding the party's leadership.

The socialist cause is a cause which the popular masses themselves carry out under the leadership of the party, and the popular masses constitute the party of the working class as well as the social and class foundation of socialism. The main force of the socialist cause is the popular masses who are firmly rallied behind the party; the indomitable nature and firmness of socialism largely depend on how the popular masses, its main force, uphold the party's leadership.

When the popular masses loyally uphold the party's leadership, socialism can victoriously advance without wavering in any storm and can highly demonstrate its superiority and tractive force. The might and firmness of socialism—the might of the party—lies in having the people who are loyal to the party and to the revolution.

When there are people who are loyal to the party, the party can firmly ensure consistency and continuity in working out lines and policies of the party and can tenaciously maintain the revolutionary principle in the socialist construction. When there are people who are loyal to the leadership of the party, the imperialists' antisocialist maneuvers will be helpless and vitality and might of socialism will be highly displayed. This has been clearly proven by history and reality.

Our people are the revolutionary people who are endlessly loyal to the socialist cause—the party's cause. Our people are advancing by highly upholding the party's leadership with iron-clad belief that as long as there is the leadership of our party, our own-style socialism will be victorious without fail.

It is the firm conviction of all of our people that the leadership of our party is the lifeline of the chuche-oriented socialist cause, and without this we cannot think of victory of our socialism and their own destiny and future happiness.

Because our people have such an absolute conviction in the party, we are advancing by dedicating everything to the struggle to accelerate the chuche socialist cause by keenly understanding the plans and intentions of the party.

It is the great pride of our party to have such revolutionary people. Herein lies the firm guarantee for the indomitable nature of our socialism. The revolutionary trait of our people who are advancing by loyally upholding the leadership of the party is highly demonstrated in the fact that they think and act in accordance with the ideas and intentions of the party by accepting them as the most just ones.

It is an essential and preferential demand in loyally upholding the leadership of the party to act in accordance with the ideas and intentions of the party by accepting them as the most just ones.

Only the people who accept the party's ideas and intention as a demand in their life and as their own belongings can be called the loyal people who devotedly uphold the party's cause.

The party is the guiding kernel force of the popular masses. The ideas and will of the party include the aspirations and interest of the popular masses. Therefore the ideas and intention of the party are the very ideas and intention of the people. Today our people are advancing to achieve our party's ideas and intention by accepting them as absolute truth and their own vital demand, and by devoting everything.

It is the unanimous will of our people that our party's ideas and intention are most just, and without them they cannot think of a genuine life of human beings and a valuable life of revolutionaries. In particular, our people have firm indomitable conviction that our party's chuche idea is greatest and that our own-style socialism, which advances under the banner of this idea, will be victorious without fail.

In the recent letter sent to the dear comrade leader, members of the Korean Literature Production proudly stated that the road led by dear Comrade Kim Chong-il is truth, justice, and conscience of the people who are carrying out the revolution. This fully reflects the ardent aspirations and desire of all of our people who live and struggle by taking the party's ideas and will as their life-giving water.

Because there are such loyal people as our people who have the firm conviction in the chuche-oriented socialist cause led by our party, then the cause of our own-style socialism—our party's cause—is vigorously advancing without wavering amid any storm.

That today our people think and act only according to our party's ideas and will is based on the loftiness and greatness of our party's ideas and will. They reflect the basic demand and aspiration of the popular masses to independence. Our party's ideas and will also include great love and benevolence to build most superior man-centered socialism by accomplishing the chuche-oriented revolutionary cause to the end and to provide our people with a happy and rich life corresponding to the essential demands of human beings.

Such great ideas and will by our party have been brilliantly embodied in the realities of our socialism, and are demonstrating their great vitality and are arousing sympathy of the progressive people of the world, not to mention our people. Therefore our people firmly believe that by following our party's ideas and will, they can demonstrate their dignity and honor as the greatest and most revolutionary people in the era of independence and can enjoy the most valuable socialist life. Thus, they breathe and act only in accordance with the party's ideas and breath.

The revolutionary trait of our people, who are accelerating the socialist cause by loyally upholding the party's leadership, is highly demonstrated in the fact that they accomplish the party's decisions and policies to the end by going through fire and water.

The party's leadership on the socialist construction is embodied through the party's lines and policy. Therefore, the trait of the people who advance by loyally upholding the party's leadership is to be demonstrated in the practical struggle to implement the party's policy.

It is our people's unwavering position and attitude to unconditionally and thoroughly implement the party's lines and policy by accepting them as absolute ones. This has been clearly shown in the revolutionary slogan "We carry it out if the party decides," which our people highly uphold. Intensively reflected in this slogan is our people's firm will to implement the party's policies based on the principle of absoluteness and unconditionality by accepting them as the demand of life.

Today our people are advancing by demonstrating peerless mass heroism and mass innovations in the socialist construction, by upholding this slogan and according to the party's plans and decisions. Thanks to the vigorous struggle by our people, who are thoroughly implementing the party's lines and policy, our party's policy has been thoroughly accomplished and constant upsurges were effected in the socialist construction.

Even amid vicious antisocialist maneuvers of the imperialists, great successes were won in the struggle to strengthen the nation's economic self-reliance, and builders of the capital built 30,000 houses in a year. In addition, such an amazing miracle as the completion of 2,000-ri waterway in a short period of time was effected. This clearly shows the trait of devoted struggle of our people who unanimously rose in the struggle to accomplish the plans, intentions, and policies of the party.

Today our people are constantly demonstrating peerless mass heroism and collective innovations in the struggle to implement the militant tasks put forward by the great leader in his New Year address. Thus, from the outset of the year's first march, constant innovations have been effected on all fronts of socialist construction, including the sites of construction of major facilities.

What is important in the revolutionary trait of our people, who are advancing by loyally upholding the party's leadership, is that our people are vigorously marching by following the banner of socialism and totally entrusting the party with their destiny. The basis in upholding the party's leadership is to have a firm faith and living position by entrusting the party with their destiny.

The people, who are firmly united with the party as a socio-political organism, will act only according to the party's ideas and intention without wavering even slightly under any adverse situation, and will remain loyal to the party's cause to the end.

From the outset, it is a basic demand of popular masses themselves to live by entrusting the party with their destiny. The party of the working class had emerged from the demand in the revolutionary struggle to pioneer the destiny of the popular masses. It is the basic mission of the party to lead the destiny of the popular masses in a responsible manner.

Thus the relations between the party and the masses are that between the one who leads and the one who is being led, that between the one who gives the life and the one who receives it, and that between the one that takes care of destiny and the one who entrusts him with destiny.

Today our people are tenaciously fighting along the path of socialism, indicated by the party, after having entrusted the party with their all destinies and future. It is the unwavering will of all of the people to glorify the valuable life and honor as the people who are carrying out the revolution in the bosom of their party. Thus, our people are highly praising our party as the motherly party which assumed the responsibility for the people's destiny, and became the permanent companion of the party.

Dear leader Comrade Kim Chong-il recently sent a reply letter to all members of the Korean Literary Production and expressed his deep conviction that they will become a permanent companion, sincere helper, and outstanding adviser of the party. The fighters sent a letter to the leader [yongdoja] pledging their permanent loyalty and sincerity to him. This is a noble (?event) demonstrating blood ties between our party and the masses. This clearly shows the lofty will of our party to embrace in its bosom the people from all walks of life including workers, peasants, and working intellectuals, and to permanently glorify their valuable life on the single road of revolution. This also shows the noble ideological and mental world of our people who only trust and follow the party, being fascinated by the greatness of the party.

That we have become the great revolutionary people who are advancing by loyally upholding the party's leadership, being firmly united with the party as one organism, is an (?outcome) of greatness of our party and the wise nature of its leadership.

Our party is the organizer and guide of all victories of our people and intimate mother. With uncommon wisdom and refined leadership, our party always led our people to victory and made immortal achievements in the struggle for prosperity and development of the fatherland and the people.

Through the arduous yet glorious struggle in the course of carrying out the revolution by following the party and through their happy life they are enjoying in the bosom of the party, our people keenly realized the greatness of our party. Such absolute trust of the people in the party brought about the people's ardent loyalty.

Today our people are foreseeing the bright future of our own style of socialism from the wise leadership of our party. They are firmly resolved to accomplishing the chuche socialist cause by following the leadership of the party. As long as there are such loyal revolutionary people, our socialism will be victorious without fail with everlasting vitality and indomitable might.

All party members and workers should be keenly aware that as long as there is the great leadership of our party and the people who are advancing by upholding the party's leadership in firm unity, our socialism will be ever-victorious and indomitable. Thus, they should see to it that the shout of "Hurrah for victory!" is constantly resounding in the socialist construction.

'Party's Leadership Based on Continuity' Stressed

SK1302154691 Pyongyang KCNA in English 1501 GMT 13 Feb 91

["Party's Leadership Based on Continuity Is Fundamental Guarantee for Victorious Advancement of Revolution"—KCNA headline]

[Text] Pyongyang February 13 (KCNA)—NODONG SINMUN today carries a lengthy by-lined article entitled "Party's Leadership Based on Continuity Is Fundamental Guarantee for Victorious Advancement of Revolution."

The Workers' Party of Korea is a great party which is creditably carrying forward and developing with its experienced leadership the revolutionary cause of chuche started by the respected leader Comrade Kim Il-song, the article says in its first part, and goes on:

Party's leadership based on continuity is a basic question decisive of the destiny of the revolutionary cause of the working class, the socialist cause.

The question of the continuity of leadership in the building of the working-class party is mainly the question of strengthening and developing the party so as to carry forward the cause of revolution started by the leader to accomplishment through generations.

The question of building the party in a far-sighted manner and firmly guaranteeing the continuity of its leadership has been successfully solved in our country so as to carry to accomplishment the revolutionary cause of chuche which was pioneered by the great leader Comrade Kim Il-song.

The article quotes the dear leader Comrade Kim Chong-il as saying:

"Our party raised the question of giving continuity to the party's leadership as most important one arising in accomplishing the revolutionary cause of the working class down through generations from the lawful requirements of the developing revolution of our era and the historical lessons of the international communist movement and successfully solved it in theory and practice."

The Workers' Party of Korea has become an invincible party based on continuity as it is today because the great leader Comrade Kim Il-song has led the work of resolving the question of giving continuity to the party's leadership in a far-sighted way in the course of the protracted struggle for the building of the party and its strengthening and development.

Comrade Kim Il-song, above all, provided deep-rooted, strong historical roots of our party during the glorious anti-Japanese revolutionary struggle.

The great lifeblood of chuche serves as an eternal wealth linking the arteries of our party.

Vigorous efforts to build the party under a far-reaching plan have been made in our country in order to carry forward the revolutionary character of the party and its leadership under the energetic leadership of Comrade Kim Il-song and our party centre.

Our party has expanded its ranks and consolidated them organizationally and ideologically. This is of weighty significance in the party's building, strengthening and development.

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What is of particular importance in strengthening and developing our party into an invincible party with continuity is that solid organisational and ideological foundation of the party has been laid successfully.

The organisational and ideological foundation of our party for carrying the revolutionary cause of chuche to completion has been more firmly consolidated in the process of the historical march toward modelling the whole party on the chuche idea under the guidance of dear Comrade Kim Chong-il.

Today our party has successfully taken on the appearance of the party of chuche type in all aspects from its character and ideological system to the unity of its ranks, organization, discipline, work method and style and ties with the masses.

This tells that our party has strengthened and developed into a party with continuity which is capable of defending its chuche character forever and carrying revolutionary cause to completion.

In the second part the article says that a sure guarantee of carrying forward and accomplishing the revolutionary cause of chuche down through generations has been provided in our country as our party is leading the evolution and construction with invincible might and leadership ability.

It further says:

The bright future of our party lies is that it has invincible leadership ability to carry forward and accomplish the revolutionary cause of chuche in any circumstances.

The invincible leadership ability of our party which is carrying forward and developing the revolutionary cause of chuche is firmly ensured by the inheritance of the chuche idea, the guiding idea of the party, before anything else.

Our party has indicated the correct way of building a party in the era of independence and is pressing ahead with the cause of socialism under the unfurled banner of revolution without turns and twists because it is guided by the chuche idea in its building and activities.

The invincible leadership ability of our party also finds expression in that firm leadership system to guarantee the uniformity of the party's leadership has been firmly established throughout the party.

All the party work and activities are conducted strictly under the leadership of the party centre, and all the party organisations and party members act as one according to one organisational principle, work system and discipline.

All the party organisations and party members think and act only as intended by the party, with intense loyalty to the great leader and our party centre, and are displaying the indomitable fighting spirit of carrying anything out even if they are required to go through fire and water at the call of the party and the revolution.

The invincible leadership ability of our party is also firmly guaranteed by the brilliant inheritance of the revolutionary traditions of chuche. Our party raises the question of carrying forward the revolutionary traditions as a fundamental question related to the destiny of the revolution, the accomplishment of the socialist cause, and makes sure that all the contents of the revolutionary traditions which have been attained, developed and enriched in the course of the long-drawn-out revolutionary struggle from the start of the revolution is carried forward in an allround way.

The invincible leadership ability of our party is also firmly guaranteed by the continuity of singlehearted unity behing the great leader.

Today singlehearted unity of the leader, the party and the people is being more firmly consolidated in our country.

The entire people from the veteran revolutionaries who have traversed a long way along the road of the revolution, following the great leader, to the younger generation growing up under the deep care of the party are becoming a fortress and shield in safeguarding and upholding the party centre.

Iranian Ambassador Hosts Reception in Pyongyang

SK1302055191 Pyongyang KCNA in English 0515 GMT 13 Feb 91

[Text] Pyongyang February 13 (KCNA)—Iranian Ambassador to Korea Hassan Dabir gave a reception at the Ongnyu Restaurant Tuesday evening on the occasion of the 12th anniversary of the victory of the Islamic revolution in Iran.

Present on invitation there were Vice-President Yi Chong-ok, Vice-Premier Kim Tal-hyon, Chairman of the Supreme People's Assembly Yang Hyong-sop and officials concerned.

Also invited there were diplomatic envoys of different countries in Pyongyang.

Hassan Dabir spoke at the reception.

Pointing out that the relations between Iran and the DPRK have considerably expanded, he said that the Pyongyang visit of His Eminence 'Ali Khamene'i, former president and present leader of the Islamic Revolution, in May 1989 marked a turning-point in the history of the development of relations between the two countries.

The Islamic Republic of Iran speaks highly of the efforts of the industrious Korean people for the economic, technical and cultural development of the country and the betterment of their living standards under the wise leadership of respected His Excellency Kim Il-song, president of the Democratic People's Republic of Korea.

It supports the proposals and initiatives made by His Excellency President Kim Il-song to solve the question of national reunification peacefully and independently and hopes that the Korean nation will win a great victory in its struggle to realise its desire for reunification.

In his speech, Kim Tal-hyon said that the victory of the Islamic revolution in Iran and the struggle of its people to consolidate it are displaying greater attraction and vitality with each passing day for the justice of their cause. The Korean people are rejoiced as over their own over the achievements made by the fraternal Iranian people and sincerely wish them new victory in their struggle to build an independent and prosperous Iran, he added.

Pointing out that the peoples of Korea and Iran are intimate comrades-in-arms who are closely linked to each other on the road of anti-imperialist independence, he noted that the friendly and cooperative relations between the two countries have constantly expanded and developed in all spheres after the historical meeting between the great leader Comrade Kim Il-song and His Eminence 'Ali Khamene'i, the Islamic leader of Iran, in Pyongyang in May 1989.

The Korean people will always advance hand in hand with the Iranian people in the course of the common struggle to realise independence against imperialism and colonialism in keeping with the spirit agreed upon between the leaders of the two countries, he declared.

Yon Hyong-muk Sends Condolences to Afghanistan

SK1302114691 Pyongyang KCNA in English 1050 GMT 13 Feb 91

[Text] Pyongyang February 13 (KCNA)—Yon Hyong-muk, premier of the Administration Council, sent a message of consolation to Fazl Haq Khaliqyar, prime minister of the Republic of Afghanistan.

In connection with the heavy losses of human lives and property caused by earthquake and flood in the north-eastern and southeastern parts of Afghanistan, Yon Hyong-muk in the message expressed deep sympathy and consolation to the prime minister and the Government of Afghanistan and the bereft families of the dead and other victims and hoped that the Afghan people would heal the damages as soon as possible under the deep care of the government.

Foreign Affairs Official Meets Austrian Ambassador

SK1202111491 Pyongyang KCNA in English 1041 GMT 12 Feb 91

[Text] Pyongyang February 12 (KCNA)—Kang Sok-chu, first-vice minister of foreign affairs, today met Dietrich Bukowski, newly appointed ambassador e. p. of the Republic of Austria to Korea, and had a conversation with him when the latter paid a courtesy call on him.

Ambassador Presents Credentials

SK1302113691 Pyongyang KCNA in English 1048 GMT 13 Feb 91

[Text] Pyongyang February 13 (KCNA)—Dietrich Bukowski, new Austrian ambassador e.p. to Korea, today presented his credentials to the great leader Comrade Kim Il-song, president of the Democratic People's Republic of Korea.

Present at the presentation ceremony were Kang Sok-chu, first vice-minister of foreign affairs, and an official of the Austrian Embassy.

After receiving the credentials, President Kim Il-song had a talk with the ambassador.

Compilation of KCNA Press Reviews Published

For 12 February

SK1202053991 Pyongyang KCNA in English 0440 GMT 12 Feb 91

[Text] Pyongyang February 12 (KCNA)—Dailies here today frontpage a photo-accompanied report that the great leader President Kim Il-song gave on-the-spot guidance to the Mansudae Art Studio, a combined base of art creation of Korea.

NODONG SINMUN tells a story that President Kim Il-song wisely led the work of further developing metal industry by metallurgy based on domestic raw materials and fuel.

The spokesman for the Foreign Ministry of China issued a statement supporting the New Year address of President Kim Il-song, says the daily.

The daily comes out with an article entitled "Important Guideline Indicating Road of Chuche-Based Film-Making" on the occasion of the 20th anniversary of the publication of historical works of dear Comrade Kim Chong-il "A Few Problems Arising in Film Production" and "On Effecting a New Upsurge in Film-Making".

Under the title "The Workers' Party of Korea Is a Party With Tested Leadership Ability and Rich Experience" the daily conveys words of officials of foreign parties praising the greatness of the party.

The daily in an article stresses the need to direct bigger efforts to mining and power industries and railway transport.

Given in the press is an account of friendship gathering the Palestinian ambassador to Korea arranged on the holiday of February, when the Korean people celebrate the birthday of dear Comrade Kim Chong-il.

Dailies carry a telephone message sent by the head of the North side's delegation to the inter-Korean sports talks to the chief delegate of the South side in regard to the fourth round of North-South sports talks.

South Korean news of the press includes reports that students condemned the Gulf war and the authorities detained student Chon Mun-hwan, former chairman of the Preparatory Committee for the Pyongyang Festival of the National Council of Student Representatives (Chondaehyop).

Dailies carry articles denouncing the adventurous and aggressive "Team Spirit 91" joint military exercises and reaction of different countries to them.

A NODONG SINMUN commentary lashes out at the utterances of South Korean "Prime Minister" No Chae-pong that the fascist "National Security Law" would not be scrapped.

The release of coed Im Su-kyong and Father Mun Kyu-hyon and others who were arrested for visiting the North was demanded in different countries, according to the daily.

The daily in a commentary denounces the U.S. State Department for slandering the DPRK and some other socialist countries over the human rights issue in its recent "report on human rights".

Papers observe the 10th anniversary of the establishment of diplomatic relations between Korea and Lebanon.

It is reported in the press that the Soviet president issued a decree on taking supplementary measures for eternally memorizing the Soviet citizens who laid down their lives while discharging the duty of safeguarding the motherland and internationalist duty and a recent issue of the Soviet paper SOVETSKII PATRIOT in an article wrote that it is wrong to attribute any succcess of the foreign policy of the Soviet Union to the remarkable reduction of war threats.

The head of state of Libya in a letter to the U.N. secretary-general denounced the support of Western countries to Israel and the Ministry of Defence of Angola released a communique condemning the ceaseless armed provocations by the Unita counterrevolutionary bandits, says NODONG SINMUN.

Papers inform the readers of the Gulf war.

In an article "Steadfast Stand To Contribute to World Peace" NODONG SINMUN says that a thorough peace-loving stand is reflected in the DPRK's policy of national reunification.

For 13 February

SK1302055891 Pyongyang KCNA in English 0530 GMT 13 Feb 91

[Text] Pyongyang February 13 (KCNA)—Papers here today carry a photo-accompanied report that the great leader President Kim Il-song went round the Kwangbop Temple, a Buddhist temple in Mt. Taesong in Pyongyang Municipality which is one of the precious historical monuments showing the excellent architectural technique and the time-honored cultural tradition of our ancestors.

In an article titled "Party's Leadership Based on Continuity Is Fundamental Guarantee for Victorious Advance of Revolution" NODONG SINMUN says that the revolutionary cause of chuche pioneered by President Kim Il-song is dynamically advancing along a road of victory because our party is successfully solving the question of continuity in the party's leadership.

"Party's Revolutionary Leadership Is the Source of Vitality and Invincibility of Cause of Socialism" is the headline of a MINJU CHOSON article.

A congratulatory card came to Comrade Kim Chong-il from the president of the Arab Republic of Egypt, report papers.

NODONG SINMUN carries words of foreign party and state leaders and public figures expressing boundless reverence for dear comrade Kim Chong-il, highly praising his immortal feats.

Econews of the paper include reports that an oxygen plant shop will be built at the February 8 Vinalon Complex and production is growing at the Komtok Mining Complex, a powerful nonferrous metal ore producer of the country.

Appearing in papers is an obituary of Kim Chu-yong, alternate member of the C.C. [Central Committee], the WPK [Workers Party of Korea] and deputy to the Supreme People's Assembly of the DPRK, published by the Central Committee of the Workers' Party of Korea. The obituary says he died of long illness at the age of 68 at 00:03 on February 12, 1991.

Papers inform the readers that the Iranian ambassador to Korea hosted a reception on the 12th anniversary of the victory of the Islamic revolution in Iran and the general secretary of the Central Committee of the Sri Lanka Communist Party met the Korean ambassador to his country.

A full agreement was reached at the 4th North-South sports talks on forming unified teams for the 41st World Table Tennis Championships and other major international games, says the press.

Seen in dailies is a statement issued by Won Tong-ku, chairman of the Central Committee of the General Federation of Trade Unions of Korea, in denunciation of the South Korean authorities' fascist suppression of workers and hardcore unionists calling for the right to existence and democracy in South Korea.

A spokesman for Hanminjon released a commentary condemning the case of privileged distribution of housing lot in Suso district, a large-scale scandal of the No Tae-u ruling group, says NODONG SINMUN.

The paper informs the readers that South Korean students attacked police booths in succession and various organisations in South Korea urged the abolition of the "National Security Law."

The U.S. imperialists and the South Korean puppets staged war exercises directed against the North on the ground, air and sea and the Navy of the Korean People's Army apprehended an unidentified boat when it intruded into the territorial waters of our side on the West Sea, says the press.

NODONG SINMUN conveys news that the World Federation of Democratic Youth published a statement denouncing the "Team Spirit 91" joint military exercises being staged by the U.S. imperialists and the South Korean ruling group and Japanese military analyst Haruo Fujii published an article about the exercises.

The paper refutes the sophism of the U.S. imperialists and their stooges to cover up the aggressive nature of the exercises.

It is reported in the paper that the minister of telecommunications of Madagascar supported the DPRK's new proposal for national reunification when he was interviewed by the KCNA correspondent in his country, and the French Institute for National Independence and Nonalignment issued a statement in this connection. A joint statement of Portuguese parliamentarians supporting it is carried there.

The Malaysian prime minister manifested his resolution to step up the formation of a new East Asian economic group, says the press.

Papers carry news of the Gulf war.

Appearing in NODONG SINMUN is news that a recent issue of the Hungarian paper NEPSZABADSAG released an article headlined "In Mud" telling how the illusion of the East European countries about the West has burst and a spokesman of the Ministry of Finance of Poland predicted another price hike in February.

The paper carries an article captioned "The United States Must Give Up Nuclear Threat to Us at Once."

Kim Chu-yong Dies After Illness on 12 Feb

SK1302145691 Pyongyang Domestic Service in Korean 0100 GMT 13 Feb 91

[Obituary on the death of Kim Chu-yong, candidate member of the Central Committee of the Workers' Party of Korea [WPK] and deputy to the Supreme People's Assembly [SPA] of the DPRK—read by announcer]

[Text] Comrade Kim Chu-yong, candidate member of the WPK Central Committee and deputy to the DPRK SPA, died after a long illness at the age of 68 at 0300 on 12 February 1991.

Comrade Kim Chu-yong devotedly worked for socialist construction and the cause of national reunification, upholding the leadership of the party and the leader.

The comrade actively worked to strengthen chuche-oriented revolutionary forces and to arouse all walks of overseas compatriots towards patriotic work and the struggle for national reunification, working at important posts of the party and the government for many years.

Until his last breath, the comrade had strived to firmly establish the party's unitary ideological system and had been endlessly loyal to the party and the leader.

Though Comrade Kim Chu-yong passed away, his achievements for the party and the revolutionary cause will remain forever.

[Signed] The WPK Central Committee on 12 February 1991

Progress of Tongil Street Construction Examined

SK1302032191 Pyongyang KCNA in English 2155 GMT 13 Feb 91

[Text] Pyongyang February 12 [date as received] (KCNA)—The construction of Tongil Street of Pyongyang is progressing at fast speed.

The construction of the grand street in Naknang District, the southern part of the capital, is nearly equal to the project of one whole city in scale. The main boulevard 120 metres wide, the broadest in the country, has already taken shape in the street with plottage of more than 1,000 hectares. High-rise apartment houses for tens of thousands of families are rising up in eight large residential blocks on both sides of the road together with the Tongil Hall and other public buildings, the floor space totalling nearly 300,000 square metres. And an all-round wading pool available in all seasons, an outdoor swimming pool, sports and amusement facilities and parks are being built in peculiar styles on the bank of the River Taedong.

Dear Comrade Kim Chong-il spread another bold and audacious plan to change the appearance of Pyongyang in two years, saw the mock-ups and designs of Tongil Street in December 1989 and said that the new street should be built as a peculiar street of our own style to cater to the modern aesthetic tastes, the people's demand in their life and the natural and geographical conditions. And he taught that schools, kindergartens, nurseries and service networks should be distributed harmoniously in each block, the riverside park be arranged well and a museum be built, taking into consideration the characteristics of this area abounding in historical relics and remains.

According to the bright blueprint unfolded by Comrade Kim Chong-il, construction made a full-fledged start in March last year. Forty-four tall high-tension towers were removed 12 km away in 20 days after the groundbreaking and large blastings to blow up hills of 1.04

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million tons and 360,000 tons were carried out in succession in two months or more to remove more than 2.6 million cubic metres of rocks and earth.

The main boulevard of Tongil Street has been linked with the express highways to Kaesong and Wonsan and with 10 odd main roads of Pyongyang including the Chollima, Chuche Tower and Youth Streets.

18, 20, 25 and 30 storied apartment houses for tens of thousands of families of big bundle, streamline, terraced folding-screen and tower shapes, 300 metres long in general, 500 metres at maximum, have risen up on the undulating land along the broad boulevard. Each apartment house can accommodate mostly 500 to 800 families and over 1,500 at maximum.

Schools, kindergartens, nurseries and other public buildings are also cropping up in the new street at fast pace.

Projects of 20 odd complicated cross structures, a number of underground pedestrian crossings and nearly 100,000 meters of setups have already been completed, and such related projects as flyovers, thermal power plant and reservoirs are being accelerated.

The street on the blueprint is turning into a grand and splendid reality.

Various Irrigation Projects Reportedly Successful

SK1302155991 Pyongyang KCNA in English 1534 GMT 13 Feb 91

[Text] Pyongyang February 13 (KCNA)—Korea has constantly directed much efforts to the irrigation of farm land and registered great success in this.

Last year, a large-scale irrigation project for completing a circulatory irrigation system of South Hwanghae Province with the water of the Taedong River dammed up by the West Sea Barrage and the Yesong River, the second-stage project of the water channel from the West Sea Barrage to the reclaimed tideland in South Pyongan Province, the project of the water channel from the Taedong River to the farm land in Sangwon, Chunghwa and Yokpo in the suburbs of Pyongyang and the vast project of the water channel from Taechon power station No. 5 to the Kwaksan reservoir were carried out with success.

With the appearance of a new 800 km water channel tens of metres wide on an average, the irrigation of the country reached a higher standard.

1,700 big and small artificial lakes and reservoirs, the 40,000 km long water channels and 180,000 irrigation structures are typical figures indicating part of the complete irrigation system of Korea.

The irrigation of agriculture in Korea began after the country's liberation on August 15, 1945.

The great leader President Kim Il-song, regarding irrigation as the first process in technical renovation of agriculture, laid down a unique policy of irrigation and has wisely guided the work to implement it.

The large-scale Pyongnam irrigation setups were built in a matter of one year and a half after the ceasefire, followed by the Kiyang and Ojidon irrigation projects for watering tens of thousands of hectares.

The capacity of reservoirs of the country rose 1.5 times and the pumping capacity 3.2 times in the 1961-1969 period.

In the 1970s, Lake Manpung, Lake Unpa and many other reservoirs and pumping stations were built to irrigate 400,000 hectares of non-paddy fields.

The biggest success in irrigation in the 1980s is that the West Sea Barrage was built by damming off the rough sea in an eight kilometre section so that a grand artificial lake was formed to permanently store several billion cubic metres of water.

The irrigation system of Korea which is being further rounded off firmly guarantees the attainment of the annual grain production target of 15 million tons.

Oxygen Plant Being Built at Vinalon Complex

SK1302151091 Pyongyang KCNA in English 1459 GMT 13 Feb 91

[Text] Pyongyang February 13 (KCNA)—An oxygen plant shop is being built at the February 8 vinalon complex, the nation's chemical giant.

Situated in Hamhung, an industrial city, the complex comprises dozens of factories and workshops and several coal and ore mines. An allround large-scale chemical industrial centre which combines organic with inorganic chemistry, it holds a big share in the nation's production of chemicals.

The oxygen plant shop which will occupy a plottage of tens of thousands of square metres will contribute to the massproduction of vinalon vinyl chloride and other chemical goods. And it will greatly help toward developing methanol and synthetic rubber industry.

A groundbreaking ceremony was held Monday.

South Korea

Britain Asks for More Gulf Aid; Request Denied

SK1302090891 Seoul YONHAP in English 0814 GMT 13 Feb 91

[Text] Seoul, Feb. 13 (YONHAP)—Britain has officially asked South Korea to increase its support for the allies in the Gulf war and has been rebuffed.

The request was made by John Weston, deputy undersecretary for defense of the Foreign and Commonwealth Office, to Assistant Foreign Minister Yi Ki-chu over lunch, official Korean sources said Wednesday.

Weston, who flew into Seoul in the morning and was to leave for Tokyo in the evening to ask the Japanese for more support, was told Korea could not give any more than it had, though the sources did not say how much he was asking for.

Korea has offered 500 million dollars to the alliance in cash and kind, including five Hercules C-130 military transports and 150 non-combatant support personnel, but two U.S. Congressmen said the United States expects additional contributions.

Winding up a two-day fact-finding visit, Reps. Patricia Schroeder (D-Col.) and David O'B. Martin (R-N.Y.) told a press conference that Washington was hoping Seoul would make a more reasonable and bigger contribution to the allied effort.

Schroeder, who chairs the House Subcommittee on Military Installations and Facilities, and Martin arrived Monday and met with Foreign Minister Yi Sang-ok and other Korean officials and politicians and with Gen. Robert RisCassi, commander of the Korea-U.S. Combined Forces Command, and other American officers.

It was hoped Korea would make a "reasonable" contribution because of its heavy dependency on Mideast oil and annual economic growth rate of 7 percent, they said.

They said Congress was deeply upset by the lack of cooperation shown so far by Korea, Japan and Germany in the war effort.

Korea sent a 154-member medical team to Saudi Arabia last month.

The cost of Korean manpower support is estimated at current level to be worth 29.8 billion won a year, and opposition politicians vehemently oppose a combatant role.

The two ruled out the mobilization of Korea-based American troops in the Gulf war and a source at the U.S. Embassy denied rumors that a division had already been moved to the Persian Gulf.

Organization Given of Gulf Transportation Unit

SK1302033791 Seoul YONHAP in English 0230 GMT 13 Feb 91

[Text] Kimhae, South Korea, Feb. 13 (OANA-YONHAP)—The Air Force held a ceremony Wednesday morning for the unit to be dispatched to the Persian Gulf in support of the allied forces.

At Kimhae, some 300 kilometers south of Seoul, Gen. Han Chu-sok, chief of the Air Force General Staff, and other military men and women gathered to honor unit commander Col. Yi Chae-ki, 43, who will head five C-130 Hercules planes and 150 personnel.

The unit is to be stationed at al-Ayn in the United Arab Emirates, where it will provide rear service in cooperation with the U.S. Air Force.

The 150 volunteers comprise 22 pilots and navigators, 67 mechanics and 61 support persons: 63 are officers, 77 are staff sergeants and 10 are privates. Two U.S. Air Force navigators with Gulf experience will be assigned to the unit.

The unit is to be dispatched Feb. 19-20 and will be the second overseas operation in the history of the Korean Air Force, which sent C-46s, later replaced by C-54s, to Vietnam in 1966.

"The decision to dispatch the transport unit is attributed to successful accomplishments of missions by the Korean Air Force during the Vietnam war and the military medical team now acting in the Gulf war," Gen. Han said in his ceremonial speech.

"We, as a pioneer in the promotion of national profit, will enhance the bringing of peace to the world on the basis of United Nations resolutions," Col. Yi said afterwards.

News Analysis Links Sports Agreement, Dialogue

SK1302042091 Seoul YONHAP in English 0301 GMT 13 Feb 91

["News Analysis" by Kim Tae-sik: "Accord on Single Teams Brightens Future of South-North Dialogue"—KCNA headline]

[Text] Seoul, Feb. 13 (OANA-YONHAP)—By agreeing to compete as one nation in world soccer and table tennis competitions, South and North Korea may have revived hope for the future of dialogue.

Tuesday's agreement, the first since Korea's division at the end of the World War II, is significant in that it is a milestone in relations and if it is fulfilled it will be the first joint participation in an international event in 46 years.

The agreement is expected to contribute to the expansion of exchanges between the two sides from sports to overall relations and heighten the reconciliatory mood between them, observers say.

The accord came as a surprise after the recent cooling down in relations. The North has threatened that dialogue with the South, including the fourth high-level meeting Feb. 25 in Pyongyang, will be cancelled unless the South suspends the "Team Spirit" annual joint military drill with the United States.

The North Korean Foreign Ministry said Jan. 26 that South Korea's conduct of the exercise was tantamount to blocking the progress of North-South high-level talks.

In addition, North Korea escalated tension by conducting air raid drills in Pyongyang and other areas for the first time in 10 years, indicating it may suspend or postpone dialogue.

North Korea's acceptance of the South's call for the fourth round of sports talks and the subsequent agreement means that they will continue with the dialogue, the observers say, noting that behind the agreement was a meshing of political interests.

For North Korea, improved relations with South Korea are a prerequisite to normalization of relations with Japan and warmer ties with the United States.

Talks on normalization between Pyongyang and Tokyo are slated for March 5, but the Japanese are unlikely to be positive in the talks considering relations with South Korea.

North Korean leaders may have concluded that they can use the sports talks to persuade Japan to speed up normalization, they say. The serious economic plight in North Korea is another important reason for it to reach agreement with the South.

The North Korean economy is in a serious slump and the suspension of oil imports from the Middle East since the Gulf war began has kept about half the factories from operating normally. On top of that, a record poor crop in 1990 caused serious food shortages.

Under such circumstances, straining of South-North Korean relations will do no good, they said.

North Korea accelerated the sports talks in order to reach an agreement before Kim Chong-il's 49th birthday Saturday and the Inter-Parliamentary Union (IPU) meeting slated for April in Pyongyang may also have induced concessions.

The South may have taken an unusually soft attitude, making substantial concessions in order to avert public criticism arising from a series of scandals, including bribe taking by lawmakers and the multi-million dollar Suso housing scam.

There is also criticism that Sports Minister Pak Chol-on hastily pursued the sports talks in order to make his first project since inauguration a success.

The unprecedented accord is sure to be helpful for the improvement of South-North Korean relations, but it is to soon to say the fourth high-level talks will produce tangible fruit as the two sides differ sharply on major points.

North Denounces 'Team Spirit' Exercise at MAC

SK1302072991 Seoul YONHAP in English 0717 GMT 13 Feb 91

[Text] Seoul, Feb. 13 (OANA-YONHAP)—North Korea has denounced the annual "Team Spirit" South Korea-U.S. joint military exercise as a threat to inter-Korean dialogue.

"South Korea and the United States use the joint military exercise as a test for nuclear war and it deals a serious blow to inter-Korean talks. We urge you to stop Team Spirit once and for all," Maj. Gen. Choe Ui-ung said during the 495th meeting of the Military Armistice Commission [MAC] held Wednesday at the truce village of Panmunjom.

U.S. Air Force Maj. Gen. James Record, newly-appointed senior member of the U.N. Command component of the Commission, rejected his charge, saying that Team Spirit is not so much offensive as defensive in nature. He requested the North Korean general to send observers to the exercise.

Gen. Record also asked for permission to observe North Korean military exercises.

No Says Democracy 'Running on the Right Track'

SK1302025391 Seoul THE KOREA HERALD in English 13 Feb 91 p 2

[Text] President No Tae-u yesterday accused Korean news media of "criticizing almost everything without mincing words."

"At times, they attack the President too harshly and at other times add to social strife through their pursuit of sensationalism or commercialism," the President told the foreign diplomats posted in Seoul during a dinner he hosted in their honor at Chongwadae last night.

"All the same, I believe in the greater value of the freedom of the press," No said.

He said he has learned, through personal experience, the lesson that a journey to democracy is accompanied by "numerous trials" and requires "boundless patience" while serving as President over the past three years.

The news organizations are one of the things to teach him the lesson, he said.

The President apparently revealed his dissatisfaction with the media in connection with their reports on the Suso housing scandal, observers said.

He must have been unhappy with the reports alleging his involvement in the scandal, they added.

The President said:

"Korea's democracy is running on the right track, though it is bumpy. Even though the nation is faced with many challenges, I am convinced that the political timetable for the coming days will also be implemented successfully and without a hitch."

The increased size of the diplomatic corps in Seoul symbolizes some of the big changes that the nation has gone through in recent months, he added.

The membership, he noted, has risen to 68 to 80 last year.

Hanbo Chairman Admits Bribing Public Officials

SK1302032691 Seoul YONHAP in English 0125 GMT 13 Feb 91

[Text] Seoul, Feb. 13 (YONHAP)—Hanbo Group Chairman Chong Tae-su has confessed to bribing government officials to approve the Suso district housing project, the prosecution said Wednesday.

In overnight questioning Chong admitted that he gave money to high-level officials, but far less than suspected, a prosecution spokesman said.

Investigators will summon five lawmakers, including National Assembly Construction Committee Chairman O Yong-un and petition Review Subcommittee Chairman Pak Chae-hong, both from the ruling Democratic Liberal Party, suspected of taking cash from Chong.

Rep. Yi Won-pae of the Party for Peace and Democracy is also under investigation. He reportedly has an agency in Puchon, Kyonggi Province, supplied mostly with products from Hanbo Steel and General Construction Co., that he was given as part of the bribery, investigators said.

The assemblymen will be questioned as soon as the probe of Chong is wrapped up, toward end of this week, the spokesman said, projecting that questioning will continue through the Lunar New Year holidays.

Former Presidential Secretary Chang Pyong-cho is likely to be arrested soon for influence peddling, swaying government and municipal officials to rule in favor of Hanbo in exchange for money. Investigators said they plan to summon Chang Thursday.

The Hanbo chairman continually denied bribery until late at night, the prosecution said. He was questioned in the presence of other Hanbo executives, including Hanbo Housing Co. President Kang Pyong-su. Kang and two or three others from Hanbo also face arrest in the scandal.

Tuesday's interrogation of former and present Seoul mayors strongly indicates that city hall was leaning toward approving sale of the Suso apartments to housing cooperatives instead of on the open market under Ko Kon, the prosecution spokesman said. The decision was made after Pak Se-chik replaced Ko.

The city government, on notice from the Board of Audit and Inspection that the decision was illegal, will scrap the sales plan and open Suso for regular housing. City officials said about 1,480 apartments will be built in the district for open sale.

Housing cooperative members who falsified their records to apply for Suso apartments will be charged, they said. Members who qualify will still be excluded from application, they said.

Article Views Political Establishment in 'Crisis'

SK1302021591 Seoul THE KOREA TIMES in English 13 Feb 91 p 2

[By Shin Hak-lim: "Political Establishment in Crisis"]

[Text] The political establishment is in a crisis. Never before have the ruling and opposition parties felt frustration so much than now, witnessing their party lawmakers arrested one by one on criminal charges.

Following the arrest of three lawmakers Monday in connection with a junket, a handful of other Assemblymen face summon by the prosecutors for questioning about a scandal in a housing project in a green belt area in southern Seoul. In all, more than 10 Assemblymen were indicted or convicted in the past three years.

Timed with it, the people's criticism is reaching critical mass against political circles as a whole.

Beside this, corruption scandals in other leading walks of life are being uncovered one by one, thus putting the general public to a state of anomie.

Citizens say that there is no group in our society full of authority and integrity which can be respected by the people.

In parallel with this, voices are mounting for political reform and the shift of generation in political leadership. Even ruling party lawmakers grumbled that there is no reason for the current National Assembly to exist because it is battered by law-enforcement authorities and the people.

Meeting by threes and fours, lawmakers are busy speculating possible political motivations behind the exposure of scandals and the arrest of lawmakers involved.

There are three different "theories" explaining the backgrounds of the current political and social state, political insiders say.

First, some lawmakers both in the ruling and opposition parties suspect that there might be a political motive in the arrest of lawmakers involved in scandals.

Some members in the ruling and opposition parties suspect that an handful of key aides of President No Tae-u are maneuvering to remove old politicians, including Kim Yong-sam and Kim Tae-chung. They are taking advantage of the people's disillusionment with them for their own political purposes, a DLP [Democratic Liberal Party] lawmaker said.

Second, political insiders ascribe the current political crisis to President No's lack of leadership. Some said the current fiasco is only a demonstration of the 'leaky' power inherent in the lameduck period of any president.

Third, theory is that the current exposure of various corruption scandals and the subsequent collapse of authority in leading walks of life is a sort of natural outcome of democratization promoted by the Sixth Republic.

An aide to Kim Yong-sam said, "We have to accept the rapidly changing situation as an inevitable process of forming a new political order and climate."

DLP spokesman Pak Hui-tae said, "I believe Assemblymen's involvement in the scandal stem from their failure to meet the advanced thinking of citizens."

Student Activists Split Over Differing Tactics

SK1302015791 Seoul THE KOREA TIMES in English 13 Feb 91 p 3

[By Ko Chik-man: "Activist Groups Split Over Antigovernment Struggle"]

[Text] The nation's largest student activist alliance Chondaehyop [National Council of University Student Representatives] has loosened its anti-government struggle while other lines of radical students, armed with Marxist-Leninist revolution theories, are starting to wage "guerrilla attacks."

The sharp rift between the moderate National Liberation (NL) supporters and the radical People's Democracy (PD) followers was clearly visible in their contrasting stance on a series of firebomb attacks on police by radicals.

In line with the outlawed Socialist Workers League that has a stronghold on labor activists, PD, the minority in campus activism, has launched violent anti-government struggle since early this year amid the corruption scandals involving government officials and lawmakers.

Radical students launched a series of firebomb attacks on police boxes in Seoul, Taegu and other cities for the past two weeks.

Firebomb attackers usually left leaflets, claiming that the incumbent administration is morally corrupt and should be toppled through revolutionary struggles by students and bluecollar workers.

Kim Chong-sik, 24, new chairman of Chondaehyop or the National council of Student Representatives, openly criticized militant students for resorting to extreme means.

"The radical struggle will lead to the total isolation of student activists from the general public," said Kim, a Hanyang University senior at a news meeting last Friday.

He replaced Song Kap-sok of Chonnam National University in Kwangju who was arrested for violating the National Security Law last year.

Kim pledged to renew student activism by approaching more concrete issues such as campus reform and local autonomy elections.

"Chondaehyop has failed to draw support from students for its militant and stereotyped anti-government struggles," Kim said, making a self-analysis on the weakened student activist coalition.

"Our goal this year," Kim observed, "is to revive solidarity between students, workers to help reformists gain solid foothold in local autonomy elections."

"Chondaehyop will come back alive with aggressive anti-government campaigns in solidarity with union activists and dissidents in spring when local council elections are scheduled," Kim declared.

Chondaehyop will also intensify anti-U.S. campaigns by opposing Korea's dispatching of medical and military contingents to the Gulf War area and the upcoming ROK-U.S. joint military drill Team Spirit.

Referring to the national reunification drive, the Chondaehyop chairman supported North Korea's suggestion for a joint entry into the United Nations with a single seat.

PD's hardline struggle has gained support from students advocating the Socialist Workers League, the foremost radical underground ring which seeks to overthrow the No Tae-u administration and build a socialist regime in the South.

"Student activists have tried to make peaceful efforts to push ahead with democratic reform but in vain. That's why violent struggle is unavoidable," a spokesman for the Socialist Workers League claimed in a recent statement published in the monthly "Nodong Haebang Literature."

Also noteworthy is the ideological gap between NL, obsessed with North Korean leader Kim Il-song's "Chuche" theory, and PD, which follows the orthodox ways of Marxism-Leninism.

PD and supporters of the Socialist Workers League have denounced "Chuche" as the North Korean version of Stalinism.

* Serious Labor Unrest Predicted for 1991

912C0094A Seoul HANGYORE SINMUN in Korean 10 Jan 91 p 7

[Article by reporter O Sang-sok: "Labor Movement, 1991 Will Be Most Difficult Time Since 1987"]

[Text] Wage negotiation is expected to be difficult this year due to the sharp price hike started from the end of 1990. Since government control of the labor movement is also anticipated to be reinforced, there has been concern over unstable relations between workers and employers anticipated more this year than in previous years.

A severe clash between the labor unions and employers seems to be inevitable in the spring when the struggle for a wage increase becomes active starting from March. The labor unions request a guarantee of a cost of living increase to match the rapid price increase, while the government is trying to stabilize the consumer price in the midst of worldwide economic difficulties, and the employers are trying to limit wage increase to a single digit. Furthermore, severe confrontations are expected in the working places between the labor unions and employers, caused by a series of government actions such as the movement to revise labor laws, large scale arrests of labor movement leaders from last year, and the physical control of labor movement by police forces.

Anticipating the spring struggle for a wage increase, which seems to be the most difficult time since the large-scale labor struggle in July and August 1987, the positions of labor unions and employers, and the government's countermeasures and prospects are analyzed in this article. (Editor's note)

The Labor Unions' Position

The organizations representing workers, including the The Federation of Korean Trade Unions and the National Council of Labor Unions, are working hard preparing for the negotiations for a wage increase, which will take place in the spring.

The labor unions are emphasizing that the policy of the government and the employers to limit a wage increase to a single digit is threatening the workers' basic survival rights, amidst the severe price hike in various public services, housing, rent, and the crisis in the shortage of workers in the manufacturing sectors. Therefore, they are focusing their wage struggle on securing the people's support.

The labor unions analyze that the recent decline in exports and the resulting economic difficulties are not caused by a wage increase but by the current economic structure, which depends on foreign countries, political turmoil, and the failure of the government's economic policy. Thus the labor unions' struggle for a wage increase will publicize that the struggle will play an important role by providing a positive contribution to improving the current bad economic structure.

The labor unions will present an alternative policy on general problems related to the workers' living conditions such as housing, welfare, unstable employment due to an adjustment to the industrial structure, safety, and public health.

One thing that particularly attracts the government's attention in relation to the spring wage struggle is the formation of a council of labor unions of the large industries for solidarity (Solidarity Conference).

The Solidarity Conference, that consists of the labor unions of 16 big companies, including Hyundai Heavy Industries and the Daewoo Motor Company, disclosed at its representatives' meeting on 29 December 1990 that the conference will actively promote an establishment of the "center for the national labor unions' struggle to smash the wage control policy and the revision of labor laws (tentative title)" in cooperation with the National Council of Labor Unions and the Labor Unions' Conference of 12 Working Categories.

The National Council of Labor Unions, with the understanding that only a united front among democratic labor unions can defend an attack from the government authorities and the employers, also has a plan to establish a "united struggle committee" consisting of the vast labor union organizations, including the Solidarity Conference and the Labor Unions' Conference of 12 Working Categories. Thus severe fighting is anticipated between the labor unions and the employers regarding the wage increase.

The Employers' Position

Despite the relatively stable relationship between employers and workers during the past year, the employers' side is expecting a new development in its relations with workers, together with the changes in domestic and international politics and economics.

An economic downturn is expected in the developed nations due to the Persian Gulf crisis. The prospect of the domestic economic growth is also very gloomy due to the price hike and a weakened competitive edge in the international market.

Thus employers are emphasizing that both sides should try hard this year to improve productivity, definitely breaking off from the vicious circle of wage increase, price hike, and wage increase.

A high increase in wages without any improved productivity will result in management difficulties, which in turn, cause a weakened competitive edge and a price hike. The result will be a net decrease in workers' earnings. Employers, therefore, argue that workers and employers should demonstrate unified efforts to increase productivity, rather than request an unreasonable wage increase.

The employers' organizations including the Korean Employers' Federation, suggest that every company establish a section exclusively dealing with labor issues to reinforce labor management, thus minimizing the dispute between workers and employers when negotiating a wage increase.

The Labor Ministry's Position

Despite several unstable factors such as the united struggle movement shown by the "democratic labor unions," including the National Council of Labor Unions and the Solidarity Conference, the forthcoming election for local autonomy government officials, and the consumer price hike, the Labor Ministry seems to be rather optimistic about the labor movement this year. The ministry believes that there will not be a labor crisis this year similar to the one in 1987, on the grounds that the people's desire for establishing a "stable industrialized society" is strong.

Since 1987 the relations between workers and employers have changed from the status in which the employers were higher than the workers to an equal status. Since the cooperative atmosphere between the two sides, however, is not mature yet, it is the Labor Ministry's position that they have to develop logical practices and regulations this year that both sides should observe at the work sites.

The Labor Ministry will continue its efforts this year to prevent the labor dispute in advance, and to quickly settle it once it develops. The ministry will try its best to settle the labor dispute quickly by mobilizing a special task force, while providing concentrated efforts to manage the vulnerable companies selected, based on the frequency of labor disputes that occurred previously.

Together with these efforts, the Labor Ministry is also going to actively promote a merit pay system in an effort to minimize the friction between the two sides when negotiating the wage increase. The merit pay system is such that workers are paid extra at the end of the year depending on their achievement, in addition to the wage increase usually set at the beginning of the year

In relation to the proposed revision of labor laws, over which the labor community is greatly concerned, Labor Minister Choe Pyong-yol disclosed that he is looking into the possibility of revising the laws after considering both the workers' and the employers' opinions. It is anticipated that the revision of labor laws, together with the wage increase, will be a major dispute in the labor movement.

Brunei, Malaysia & Singapore

Malaysia

Foreign Minister Hails South African Leader's Move

BK1202101291 Kuala Lumpur BERNAMA in English 0932 GMT 12 Feb 91

[Text] Kuala Lumpur, Feb 12 (BERNAMA)—The possible withdrawal of economic sanctions against South Africa is expected to be discusued at the special meeting of the Commonwealth foreign ministers' committee on South Africa in London this Saturday.

Foreign Minister Abu Hassan Omar said Tuesday that the meeting was mainly to discuss developments in South Africa following President F.W. de Klerk's announcement on the abolition of certain apartheid laws.

"Malaysia will give its views at the meeting and there is no need for me to elaborate now," he told reporters after receiving Myanmar's [Burma's] new ambassador to Malaysia, U Ko, at his office.

Abu Hassan said Malaysia welcomed President De Klerk's move to abolish laws like the classification of people according to races but more needed to be done to eliminate the problem of apartheid.

"These include releasing political detainees, allowing political exiles to return to the country without restriction, and giving blacks the opportunity to own land," said Abu Hassen who will be leading the Malaysian delegation.

Any evaluation of President de Klerk's initiatives should also take into consideration the views of the African National Congress (ANC) and South Africa's neighbouring countries.

The committee, comprising Malaysia, Australia, Canada, Ghana, Tanzania, India, Nigeria, Zambia, and Zimbabwe, is chaired by Canadian Foreign Secretary Joe Clark.

Iranian Parliamentary Delegation Visits

LD1202154191 Tehran IRNA in English 1247 GMT 12 Feb 91

[Text] Kuala Lumpur, Feb. 12, IRNA—Iran's parliamentary delegation discussed Majlis Speaker Hojjat ol-Eslam Mehdi Karrubi's 5-point peace plan for the Persian Gulf with speaker of the Malaysian House of Representatives here Monday.

The Malaysian speaker said Western forces have "overstepped" the United Nations resolutions, and asked Iran to continue its peace efforts because the Persian Gulf war "is destroying the lives and properties of the Muslim people of Iraq and Kuwait."

Head of the Iranian delegation Hojjat ol-Eslam Musavi Tabrizi urged parliamentarians all over the world, particulalry in Islamic states to take an active position towards the war in the Persian Gulf.

He said the Iraqi invasion of Kuwait concerns the Muslim world, and only regional and Muslim coutries should decide about it.

Editorial Views Significance of Cabinet Reshuffle

BK1102134991 Kuala Lumpur NEW SUNDAY TIMES in English 10 Feb 91 p 10

[Editorial: "Changing the guard"]

[Text] Datuk Paduka Daim Zainuddin, leaving the Cabinet after holding the Finance portfolio for seven years, deserves accolades for his astute financial management, particularly in improving Government finances and in guiding the country through recessionary conditions in 1985 and 1986. He will be remembered for, among other things, reforming the tax structure and for setting in motion the large and vital programme of the privatisation of Government companies and economic agencies.

Datuk Paduka Daim's disinterest in the ruck and maul of politics enabled him to undertake the necessary but unpopular steps to put right the precarious financial position of the country and the Government when he took over the portfolio in 1984. His business and legal background proved useful in the execution of his weighty responsibilities, and the bottom line on Datuk Paduka Daim's stewardship of the country's finances can be read in many of the current economic figures and the general air of optimism which attends the many plans for growth and expansion.

Nobody expects the new Finance Minister to try to match the efforts and achievements of Datuk Paduka Daim immediately, but Datuk Sri Anwar Ibrahim certainly has to start swiftly learning the tricks and arcane manipulations of the trade.

He must know that the Finance portfolio is vastly different from the previous portfolios (among them, Agriculture, Culture, Youth and Sports, and Education) he has held. While it may take educational reforms many years to mature and to affect the bent of minds and the kind of students the country needs, thus giving an Education Minister the luxury of time to consider modifications in thrust and emphasis, the management of the country's finances and the response to potentially volatile international financial and economic movements require swift decisions, and the consequent results are almost just as swiftly apparent.

Prime Minister Datuk Sri Dr Mahathir Mohamed notes, "The new (Finance) Minister will begin his task in an unfavourable economic situation." Even before the Gulf War, there were many ominous signs that major industrial economies were running into rough times. The Gulf War has accelerated the process and aggravated the problems, and even when the shooting and bombing stops, the world will have to look at the bills for the fighting and the subsequent process of reconstruction. This prospect is daunting enough, without the necessary groundwork that will have to be made for the proposed East Asian economic grouping.

This means that Datuk Sri Anwar not only has to work closely with officers of his Ministry, but also to absorb the wisdom and advice of business leaders in the private sector, before defining ideas of his own on what the country's fiscal and monetary policies should be.

The Minister can also call on the experience of those few occasions when he served in the Finance Ministry in an acting capacity, but certainly that is not enough. He has to be a quick learner, always remembering that promises in the area of finance are easier to measure, whether they are fulfilled or not.

We certainly welcome the return of Datuk Abdullah Badawi into a Cabinet position. He is a good man, he is popular with party members and we hope he has learned his lesson about where his loyalty should be invested.

Datuk Abdullah too, will be taking over a portfolio which will be fraught with extraordinary challenges in the coming months. The uncertainties and instability of the Middle East after the Gulf War, the bitter divisions between Muslim nations, the abiding need to resolve the Palestinian problem will test the equanimity of the new Foreign Minister. Not to mention Cambodia, South Africa and the many other troubled areas which will demand the intricate manoeuvrings of diplomacy.

Singapore

Ministry Approves Gulf War TV Coverage

BK0902151491 Singapore Domestic Service in English 1400 GMT 9 Feb 91

[Text] The Ministry of Information and Arts has decided to grant temporary licenses to all banks and financial institutions to operate television receive- only satellite dishes for news on the Gulf war.

This will enable them to receive satellite news broadcasts on the Gulf war. A government news release said timely access to information is essential for foreign exchange and futures trading. It adds that the approval comes at the request of members of the financial community supported by the Monetary Authority of Singapore [MAS]. The MAS had approached local and foreign banks to sponsor Cable News Network broadcast into Channel 5 between 7:30 A.M. and 7:30 P.M. on weekdays as a specific service to the financial community.

The statement said it hoped that this can be done as soon as possible.

Board Discloses Trade Growth, Deficit in 1990

BK1202143291 Singapore THE STRAITS TIMES in English 12 Feb 91 p 36

[By Tan Sung]

[Excerpt] Singapore's total trade last year surged 11.4 per cent to hit a record high of $ [Singapore] 205 billion, or twice the overall figure posted five years ago in 1986.

Compared to 1989, imports jumped 13.3 per cent to $110 billion while exports increased by 9.3 per cent to $95 billion last year, according to figures released yesterday by the Trade Development Board (TDB).

The $15-billion trade deficit is also the highest in the five-year period. However, a source said that there should not be undue concern over the deficit, which is 50 per cent higher than that posted in 1989, because a significant amount of imports are of capital goods and machinery brought in for productive purposes.

Despite the uncertainties brought by the Gulf crisis, last year's trade growth outstripped the 10-per cent increase achieved in 1989.

This was due mainly to domestic non-oil exports, or locally-made goods, to major markets.

In fact, total trade in the five months of August-December last year grew at 11 per cent over that of the corresponding period in 1989. The average trade growth rate for the first seven months of 1990 was also 11 per cent over the same period in 1989.

Last year, non-oil domestic exports continued to grow, rising by 8.6 per cent. Singapore's main markets remained the United States, the European Community, Malaysia and Japan.

As for domestic oil products, exports rose sharply in value terms as oil prices escalated in the last quarter of the year because of the Gulf crisis.

Re-exports also grew but at a slower rate due mainly to lower commodity prices and weaker overseas demand.

TDB's monthly statistics showed that the total trade value in December 1990 amounted to $18.8 billion, up 15.7 per cent from $16.4 billion in December 1989. [passage omitted]

Cambodia

Chea Chanto Attends Reconstruction Aid Seminar

BK1302075191 Phnom Penh SPK in French 0400 GMT 13 Feb 91

[Text] Phnom Penh 13 Feb (SPK)—A seminar on the "Orientations in the Assistance of the International Community" was opened in Phnom Penh on Monday, 11 February, under the sponsorship of the "Christopher Reynolds Foundation" and the Resource Development Institute of Cambodia in collaboration with the Ministry of Planning.

Present at this four-day seminar were officials from diverse ministries and public services and representatives of international and nongovernmental organizations, including UNICEF, WFP [World Food Program], UNDP [United Nations Development Program] and UNHCR [United Nations High Commissioner for Refugees].

Addressing the opening session, Planning Minister Chea Chanto expressed deep thanks to the humanitarian and international organizations and to the NGO's [Nongovernmental Organizations] from various countries for their material and technical assistance to the Cambodian people in the national rebirth and economic development. He also highly appreciated the help of these organizations in the reconstruction of Cambodia in the wake of a political settlement of the conflict in this country.

The objective of the seminar is to inform the participants of the aid system of the international community and of the preparations and plans to be made for foreign aid.

Article Probes Government's Mood on Peace Talks

BK1302024391 Bangkok THE NATION in English 13 Feb 91 p A11

[Article by Kawi Chongkitthawon: "Khmer Sideshow Amidst Near-Peace]

[Text] It seems that the Cambodian peace process has suffered another blow, following the failure of the two cochairmen of the Paris International Conference on Cambodia to make progress and gain further support from Vietnam, which wanted to see an improved version of the UN peace plan.

Vietnam's position on Cambodia is well entrenched. While Hanoi has explicitly expressed support for a UN role in Cambodia, it remains adamant that the certain elements of the UN peace plan are internal issues that only the Cambodians themselves can solve.

Hanoi's attitude reflects the current thinking in Phnom Penh.

A strong feeling is prevalent here, among the party cadres and foreign policy makers that Prime Minister Hun Sen has given too many concessions and at the same time put too much faith in the international peace process.

"Now, they (Phnom Penh) realize that kind of effort does not necessarily bring about a solution that would enable the government here to survive," said a diplomat from Eastern Europe.

The diplomat, who asked not to be identified, said he based his assessment on Phnom Penh's approach toward peace negotiations the whole of last year. After the establishment of the Supreme National Council (SNC), Phnom Penh's position was more flexible as it was hoped that international peace negotiations would bring a fair settlement to the government here.

From the Phnom Penh point of view, the resistance groups have yet to make concessions.

Though the vacating last year of the UN seat held by the Coalition Government of Democratic Kampuchea (CGDK) represented a triumph for Phnom Penh, it was simply a natural outcome of the peace process.

Phnom Penh's line of argument that it has given too many concessions stems from the fact that it has accepted a UN role in the country and agreed to elections. Furthermore, Phnom Penh points out that its arch-foe, the Khmer Rouge, has been allowed to have representatives on the SNC.

Two Phnom Penh-based diplomats also concurred that after the Jakarta peace talks last September, Hun Sen gradually made his country's position on the issues of the SNC's leadership, the UN role, non-disarmament and non-dismantling of his government, more firm.

Hun Sen's stand reflects a compromise between himself and the growing conservative party leadership in Phnom Penh.

The appointment of Hor Namhong as foreign minister two weeks later also strengthened Phnom Penh's positions.

Uch Kiman, vice minister to the Council of Ministers, told THE NATION that his government will no longer make any concessions in future peace negotiations. He was of the opinion that future meetings of the SNC and working committee of the Paris conference should discuss concrete measures to prevent the return of the Khmer Rouge.

Phnom Penh has expressed concern that through tortuous political manoeuvring the Khmer Rouge would be able to stage a comeback by using Prince Norodom Sihanouk.

Kiman said at least there should be a clause in the new constitution of Cambodia which states that no party will resort to any genocidal policies of the past to annihilate Cambodians (an obvious reference to the Khmer Rouge).

He said the Khmer Rouge should be dissolved either as a military or political group.

Cambodian leaders now fully understand that if the deadlock of the peace process drags on any further, they would have to brace themselves for more fighting with the resistance groups, spearheaded by the Khmer Rouge, the strongest of the three-coalition resistance.

They know that the Khmer Rouge rebels will continue to attack government positions in key provinces in the northwest areas, as well as trying to get hold of jungle areas surrounding Phnom Penh.

If the recent defensive put up by the Phnom Penh forces is any indication, it is quite obvious that the government here is determined to fight against the resistance till the end. The government forces now have chosen to maintain a firm defensive strategy instead of initiating offensives.

Although many countries have pledged to cut off lethal aid to the Cambodian factions, the Khmer Rouge which is backed by China, still has access to Chinese arms through Thailand. Vietnam has become the major arms supplier to Phnom Penh after the Soviet Union cut back on its arms assistance.

Understandably, without a peaceful solution, the leaders here would have to make do with whatever scarce resources the country has. "We are resilient enough to survive," Kiman said.

An Asian diplomat agreed with his assessment. Rinzing Wangdi, the Indian charge d'affairs to Phnom Penh, told THE NATION that the Phnom Penh government is capable of governing Cambodia even if it has to continue to fight the Cambodian resistance.

Wangdi also believed that the economic situation of Cambodia had improved from the previous year despite cuts in foreign aid.

"When the Soviet Union and Eastern European countries reduced their aid allocation to the Phnom Penh government, many outsiders expected the country to go into the doldrums. Surprisingly however, the country hasn't done too badly economically," he said.

The economic resilience helps to explain why Vietnam and the Phnom Penh government are adamant in their positions in any peace negotiations concerning Cambodia. Obviously, the military and diplomatic stalemate has not weakened the Phnom Penh government. The two countries contended that if they can contain the offensives waged by the resistance, they would ultimately survive and emerge as winners without having to share power with the Khmer Rouge. The general election has been postponed to June next year in case Phnom Penh has to hold the election under its own framework without the auspices of the UN. It goes without doubt that the Phnom Penh leaders also want to see peace and stability inside the country as soon as possible but not without any preconditions. In other words, any peaceful settlement must guarantee the survival of the Phnom Penh government. Fairure to address this issue sufficiently would indefinitely stall any peace negotiations.

After the Vietnamese troop pullout of Cambodia in Setember 1989, Hanoi's position has been that the conflict in Cambodia is an internal affair of the Cambodian people.

In line with this thinking, all efforts are geared toward making the Cambodian war something of an internal affair because they (Phnom Penh and Hanoi) reckon the civil war cannot be prolonged, nor can it break out into a larger war if all countries decide to cut off arms aid. Phnom Penh and Hanoi do not mind fighting the resistance war for another two years as many believe the Khmer Rouge rebels are capable of holding out for another two years with surplus arms from China. Phnom Penh at the same time would try to consolidate its control over the country and win more international suport and recognition.

In his closing speech at the Cambodian National Assembly recently, Chea Sim, the assembly's president stated very clearly that "the bearing of the status quo between the political and military machinery in the country is an effective measure to achieve the objective of an overall political settlement."

Increasingly, the scenario that the Phnom Penh government would hang on to the current status quo is becoming the best alternative for future of Cambodia, unless there is a peace settlement acceptable to Phnom Penh.

Top Commander in Khmer Rouge Profiled

BK1302101791 Hong Kong AFP in English 0909 GMT 13 Feb 91

[By Charles-Antoine de Nerciat]

[Text] Khukan, Thailand, Feb 13 (AFP)—To the mainly ethnic Cambodian residents of this bustling Thai market town north of Cambodia, he is known respectfully, almost affectionately as Louk Ta—Cambodian for "Mr. Grandfather." For some it would seem an incongruous title to give the person who one resident called "the top man" among Khmer Rouge guerrillas in northern Cambodia.

A combination of gentle manners and big spending in the local market, where he is a frequent visitor, make him popular here, while inside Cambodia, the white-haired, limping Louk Ta is better known as Ta Mok—"Grandfather Mok"—a name most Cambodians associate with fear and death.

A top commander in southeast Cambodia during the Marxist Khmer Rouge's drive to power and their 1975-79 reign of terror, Ta Mok is reputed, alongside paramount Khmer Rouge leader Pol Pot, to be the most ruthless and bloodthirsty leader of the group. He is also considered as one of the most effective commanders in the Khmer Rouge, which since its overthrow by Vietnamese troops in 1979 has become, with massive aid from China, the largest and best-equipped guerrilla faction fighting Phnom Penh's Hanoi-backed government.

Khmer Rouge soldiers and local residents said the 65-year-old leader now divides his time between his military base in northern Cambodia's Siem Reap area and Khukan, which is located 30 kilometers (18 miles) north of the border, where he uses "several houses."

Two of Ta Mok's compounds are in Koktan, a village on the outskirts of Khukan. One is apparently used as a residence and the other for business dealings.

When Ta Mok, who lost a leg in a mine explosion, is in Khukan, he is driven around the city by an aide in a Toyota pickup with a Thai Army special registration plate.

When asked about arranging a meeting with Ta Mok, the aide who identified himself as Louk Nou, and Khmer Rouge soldiers said they could only do this by contacting Khmer Rouge representatives in Bangkok and officers of Task Force 838, a special Thai military unit assigned to the Khmer Rouge. Task Force 838 has special responsibility for the security of the faction's leaders.

Despite Thai Prime Minister Chatchai Chunhawan's switch from support for the Khmer Rouge and other Cambodian anti-government guerrilla forces to rapprochement with Hanoi and Phnom Penh, the Thai Army has continued to aid the guerrillas.

Louk Ta spends "millions" of baht (tens of thousands of dollars) in the market at Khukan, buying large quantities of unhusked rice, meat or fish which he says are to be distributed to "his children"—a reference to his troops—residents said. One resident said people liked him "because he is a man with a good heart."

When he goes to the market, he will occasionally stop to stroke a girl's head and call her "daughter," another said. Western analysts consider him to be a law unto himself and the only one able to contradict Pol Pot at meetings of the Khmer Rouge leadership.

When in public, "he is always surrounded by people he knows and stays in the market only for a short time," one resident here said. "This is because he is fearful of assassination as there are many factions in Cambodia," the resident added.

In the Koktan compound were several Khmer Rouge soldiers who had been badly crippled in combat or by mines. One young man, who had lost both legs and his left arm, had been brought there by Ta Mok to have artificial limbs fitted, Louk Nou said. He said the compound, surrounded by a grey concrete wall, was not where Ta Mok stayed when in Khukan. "This is a place for work," he said.

What appeared to be Ta Mok's living quarters was another discreet compound some 500 meters (549 yards) away, where a Khmer Rouge soldier was seen rushing on his bicycle late Monday evening to report on the failed request to interview the Khmer Rouge commander.

Another sign of the free access Khmer Rouge guerrillas enjoy on the Thai side of the border was found some 20 kilometers (12 miles) south of here at a munition depot. A woman at the depot said the ammunition boxes and shells, lying around a shed full of sacks of rice, had just been delivered. They were soon to be taken inside Cambodia "to fight the Vietnamese in the Siem Reap area," she said.

Residents in a little village close to the depot also reported seeing "Louk Ta" passing through frequently. They said Khmer Rouge guerrillas came freely to the village and mingled with Thai commandos stationed there.

Rebel Barrage in Battambang, Deaths Reported

BK1302071791 Hong Kong AFP in English 0613 GMT 13 Feb 91

[Text] Phnom Penh, Feb 13 (AFP)—A barrage of shells rained down on Battambang at the weekend killing at least 15 people, a recent visitor to Cambodia's second largest city said here Wednesday. Some 19 shells, thought to have been fired from powerful 130 millimetre guns, landed Sunday evening by the new market in Battambang, Italian Correspondent Tiziano Terzani said.

At least 15 people were killed on the spot or died later in hospital, and 60 wooden houses were burnt to the ground, he said. Provincial officials blamed the attack on guerrillas of the communist Khmer Rouge based in the Banan Region some 20 kilometres southwest of the city, said Mr. Terzani, who reached Battambang Monday. His death toll came from on-the-spot inspection and from talking to residents and medics. The local Kampuchean People's Revolutionary Party Secretary told Mr. Terzani that 14 people were killed and 29 wounded.

The Khmer Rouge have already claimed to have rocketed and shelled the city over the weekend, but relief officials working in the City and Mr. Terzani heard reports that a feud between bandit soldiers and police might be at the bottom of the deadly barrage.

(Khmer Rouge radio, monitored in Bangkok on Tuesday, claimed that its guerrillas had stepped up an offensive against government forces garrisoned in Battambang. It claimed several direct hits in artillery and rocket firings Sunday through Tuesday, including two munitions depot, Buddhist monasteries, a central marketplace and the local airfield.)

One relief worker based in Battambang, citing a "semi-official" source, said soldiers, in the process of looting and stealing from the market on Saturday, were caught in an hour-long firefight with police that left two of their number dead and two wounded. He quoted the source as saying that Sunday's "shelling was the revenge in retaliation for the shootout." The market was closed February 6 for a day or two after merchants, particiularly ethnic chinese, complained about the banditry.

Mr. Terzani said three shells hit a row of two-storey wooden shops and houses in front of the market, killing three people instantly and torching 60 of the structures, including many gold shops. Two families of four people each were wiped out by separate blasts some 500 metres (yards) away, he said, adding that another four people had later died of their injuries. "These are confirmed dead," Mr. Terzani said, adding that a doctor at Battambang Hospital told him that "two or three (more) would not make it."

Mr. Terzani said the shelling "really shocked the city," adding that Battambang was "not a city gripped by terror, but very tense and uncertain." When he arrived Monday, he said, "the place was still smoking and there were hundreds of people searching for bits of gold" in the burnt-out shops.

The veteran journalist said that on Monday there was nothing" except a persistent rumour that there would be more shelling." Meanwhile the Interior Ministry has rejected a request by two European journalists in Phnom Penh to travel to Battambang on Wednesday. It was not clear if this was linked to the security situation or to administrative problems.

Armed forces spokesmen have not been available for comment on the military situation despite several requests.

Jan-Feb Battle Results in Siem Reap Reported

BK1302063791 Phnom Penh SPK in French 0402 GMT 13 Feb 91

[Text] Phnom Penh 13 Feb (SPK)—According to a military source, from 29 January through 4 February the armed forces of Siem Reap-Oddar Meanchey Province carried out 19 counterattacks and put out of action 64 enemies, including 29 killed, 32 wounded, and three captured.

They also seized 130 firearms and a quantity of other war materiel, added the same source which specifies, among other things:

During an operation conducted in Chikreng District on 29 January, the provincial armed forces destroyed six enemy hideouts and seized a considerable amount of shells. On 28, 29, and 30 January, the armed forces of Angkor Thom District unearthed an arms cache containing seven rifles, 17 mines, and some ammunition. During the course of an operation launched on 4 February, the 7th Division and the naval forces blasted a Sihanoukists depot in Pgnea market-town east of Anlung Kranh and seized 113 assorted weapons.

During the same period, 49 enemy soldiers, including 17 Polpotists and 32 Sihanoukists, reported themselves to the authorities of Lveng Rusei and Pongro Leu Communes, bringing along with them 20 rifles.

Indonesia

Government Protests U.S. Travel Warning

BK1302123091 Hong Kong AFP in English 1040 GMT 13 Feb 91

[Text] Jakarta, Feb 13 (AFP)—The Indonesian Government has protested against a U.S. State Department travel warning issued to Americans visiting the country, terming it "interference" in the country's domestic affairs, press reports said Wednesday.

Referring to a conference headed early in the week by Minister of Political and Security Affairs Sudomo, capital dailies reported that the government "deplored" the U.S. move and had protested to Washington.

Mr. Sudomo was quoted as accusing the United States of seeking to block American tourists from visiting Indonesia, the largest Moslem country in the world with some 180 million inhabitants. Mr. Sudomo said the State Department warning was "out of place" and amounted to "interference in our domestic affairs." He was reported as adding that "foreigners had nothing to fear, that Indonesia is still safe."

The State Department statement, dated January 29, called on U.S. citizens to practice caution, whether living here or visiting as tourists during the year—touted as "Visit Indonesia Year."

Washington warned U.S. citizens to be especially careful in the two provinces of Aceh and Irian Jaya, both rocked by guerrilla wars. The warning cited the kidnapping in November of several foreigners, including one American, on the Papua New Guinea side of the border by an Irian Jaya rebel group, the separatist Papua Merdaka organization.

Aceh has been hit by a Moslem separatist group calling itself Aceh Merdaka since May and thousands of troops have been sent to the distant province. Both separatist groups have ties with Libya, according to Western diplomats.

To justify the warning, the Department of State cited a bomb found January 18 in the residence of U.S. Ambassador John Monjo and to various "threats" against U.S. facilities and firms since the January 17 beginning of the Gulf war. The six kilogram (13 pound) plastic explosive device found in the ambassador's residence was deactivated by Indonesian experts, Western diplomats said.

Its triggering mechanism was similar to one found on a bomb which exploded in the hands of an Iraqi citizen January 19 in front of an American library in Manila. A U.S. Embassy spokesman said the warning was not meant to steer Americans away from Indonesia but to warn them to take precautions in light of the Gulf war.

Some 10,000 Americans live in Indonesia and they, together with Europeans, accounted for a third of the 2.1 million tourists who arrived here last year.

Alatas Criticized on Gulf Policy in Parliament

BK1302122191 Jakarta TEMPO in Indonesian 9 Feb 91 p 22

[By Ahmad K. Suriawijaya and Liston P. Siregar]

[Excerpt] It turned out that Foreign Minister Ali Alatas was able to calmly handle the "Allied force" at a hearing with parliament's Commission I [in charge of foreign affairs] in Jakarta last Wednesday [6 February]. On that day, Minister Alatas was indeed subjected to severe attacks by several members of Parliament. Even though the session to discuss the Gulf war situation was hosted by Commission I, several members of Parliament from other commissions, including B.N. Marbun (from the Indonesian Democratic Party faction), Aisyah Amini (from the United Development Party faction), and K.H. Syamsuri Badawi (from the United Development Party faction), also joined in the fray.

B.N. Marbun's attack was as swift as a Scud missile. He expressed regret over the uncertain direction of Indonesia's foreign policy toward the Gulf war. He said: "Our foreign policy seems to lack enthusiasm." He also alleged that the government's policy is based on the fear that Indonesia's image among its creditor countries grouped in the IGGI [Intergovernmental Group in Indonesia], such as the Netherlands, the United States, or Japan, will be affected.

Without taking shelter in the bunker, Foreign Minister Alatas promptly dismissed the allegation, saying: "The nature of the Gulf war is different from that of other wars because this war is waged under UN mandate. This means that all efforts will have to end up with the UN Security Council. Therefore, it will be useless even though the 110 nonaligned countries keep shouting every day because only the UN Security Council is authorized to discuss the issue."

He added: "Therefore, we should not raise a hue and cry. We should be rational. I think nobody should doubt the government's seriousness in this matter even though we have seen no results yet. Since the Iraqi occupation of Kuwait, the Indonesian Government has consistently called for the Iraqi withdrawal in line with the UN Security Council resolution. Indonesia also believes that the withdrawal must be linked to the efforts to seek a comprehensive solution to the Middle East conflicts, including the Palestine issue. We also oppose the use of force in the settlement of the Gulf crisis."

However, many people were not satisfied with Alatas' explanation. K.H. Badawi said that such remarks were useless and the government's stand that an Iraqi withdrawal from Kuwait as the key to end the Gulf war showed that Indonesia was not neutral in the conflict.

Meanwhile, the government called on the people not to be emotional in their response to the Gulf war reports. This call is considered to be contradictory to the people's views, which will in turn make people more emotional, because the majority of Indonesian people sympathize with Iraq.

K.H. Badawi's views are still subject to further debate, but Marbun proposed that instead of issuing statements, the government should do something concrete like sending a delegation to Baghdad. He is confident that President Saddam Husayn still has great respect for Indonesia. "We have retrieved Irian Jaya and East Timor. If Alatas is fearless, he or his men should go and visit Iraq," he said. [passage omitted]

Protest in Bandung Against Saudi Role in War

BK1302120091 Singapore Domestic Service in English 1100 GMT 13 Feb 91

[Text] Indonesians in the West Java city of Bandung have protested against Saudi and American involvement in the war. The evening paper, SUARA PEMBARUAN, said 200 people took part in a peaceful march calling for an end to the fighting.

It was the first protest in Indonesia against Saudi Arabia since the Gulf war broke out.

Suharto: Press Must Avoid Destructive Elements

BK0902051091 Jakarta ANTARA in English 0431 GMT 9 Feb 91

[Text] Banjarmasin (South Kalimantan), Feb 09 (OANA-ANTARA)—President Suharto firmly warned here Saturday that the country's press were not problem-free and called on them not to lessen their alertness in order to prevent them from being infiltrated by destructive elements.

Such an alertness is very important since the press publication in the country has been rapidly developing into a business activity where competitive elements have infiltrated the life of the press business, said the president while addressing a ceremony to commemorate the National Press Day here.

The head of state further stressed the importance of national discipline and social responsibility of the freedom of the press, and insisted that the freedom of the press and the democratic life now being developed in the country should not make the nation running out of control.

President Suharto further called on the press publishers that they should abide by the code of ethics of press publication, the journalists' code of ethichs and the advertising code of ethics which had been adopted by the country's press community.

Also present during the ceremony were Madame Tien Suharto, Minister of Information Harmoko and a number of cabinet ministers, Commander of the Indonesian Armed Forces (ABRI) General Try Sutrisno, Director General for Press and Graphics Subrata, Chairman of the Indonesian Journalists Association (PWI) Sugeng Wijaya, South Kalimantan Governor M. Said, as well as the country's press figures.

After the ceremony, President Suharto, accompanied by Minister Harmoko and Governor Said observed a press exhibition. The exhibition is participated in by various domestic and foreign press publications, including the ANTARA News Agency.

President Suharto also said that past experiences had shown that nations who had been successful in their development program were those of open-minded nations. To be an open-minded nation, we clearly need the free and responsible press. Such a free and responsible press is badly needed since we are a nation who believes in the democratic life. The head of state further said that the 1945 Constitution ensured the freedom of expression. This means that the freedom of the press has a respected position in the country's life, he added. However, the president reminded that the freedom for Indonesia is not merely for freedom. Such a freedom should be able to improve the quality of life of the people. Therefore, the freedom of the press cannot be separated from the social responsibility and the national discipline, he insisted. In this connection the president reminded that the freedom of the press and the democratic life now being developed in the country should not make the nation running out of control, President Suharto concluded.

Riau Development Coordinating Office Set Up

BK1202095891 Jakarta THE JAKARTA POST in English 8 Feb 91 p 1

[Text] Jakarta (JP)—Junior Minister for Industry Tungki Ariwibowo said yesterday all permits required for investment projects on Bintan Island in the Riau archipelago would be processed by a coordinating office.

"We have agreed to set up a Riau Development Coordinating Office which will function as a one-stop service agency for investors in Bintan," Tungki told newsmen yesterday after the conclusion of the first ministerial meeting of the Singapore-Indonesia Joint Riau Committee.

He told a news conference that the office, which would be headquartered at the Industry Ministry's building, would be staffed by representatives of various ministries and would also have a branch in Bintan. The news conference was also attended by Singapore's Deputy Prime Minister Brig-Gen. Lee Hsien Loong who led his country's delegation to the meeting and Minister of State for Trade and Industry Mah Bow Tan. Indonesia's team to the meeting was headed by Coordinating Minister for Economic Affairs Radius Prawiro and Minister Tungki.

The meeting yesterday discussed programs to implement the Aug. 28, 1990 agreement between the Indonesian and Singapore Governments on economic cooperation for the development of Riau province, notably Bintan island.

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"We are very pleased with the progress so far," noted Lee who is also Minister for Trade and Industry. Tungki explained that both delegations had agreed on all the principles for cooperation in the development of Bintan island and needed only to work out decrees and rulings for governing the cooperation.

Mr Lee said Indonesia's Riau Development Coordinating Office would be assisted by a counterpart in Singapore who would also function like the Singapore Economic Development Board.

A press release at the end of the meeting said Bintan would be developed as an integrated multi-sectoral estate covering industrial estates, tourists resorts and water catchment area. Within the next five years, investments in the development of tourism resorts in Bintan would reach S [Singapore] $3-3.5 billion, in industrial estates S$1 billion and water catchment area S$1.4 billion, Tungki said.

"Especially the water catchment development project will be implemented on a government-to-government arrangement," the junior minister for industry noted.

Tungkin explained that Bintan would spearhead the development of other islands in the Riau archipelago, while Lee hoped that Bintan would soon catch up with Batam, another island in the Riau archipelago which has been developing rapidly under Indonesia-Singapore cooperation.

Laos

Economic Agreements Signed With Vietnam

BK1302112291 Vientiane KPL in English 0919 GMT 13 Feb 91

[Text] Vientiane, Feb 13 (KPL)—Vietnam and Laos signed here today an agreement on goods exchange and payments for the 1991-95 period and a protocol on goods exchange and payments for 1991, reports VIETNAM NEWS AGENCY on Feb 11. Signatories were Vietnamese Commerce Minister Hoang Minh Thang and Laos Minister of Trade and Tourism Khamphoui Keoboualapha, who is leading an economic delegation for a working visit to Vietnam from Feb 4.

Vietnam and Laos' trade value in the 1986-90 period doubled that of 28 million rubles for 1981-85. Under the trade agreement for 1991-95, payments will be made in convertible currencies. Under the protocol for 1991, Laos will export to Vietnam 22 items and import from Vietnam 31 items. The two countries' trade value will total 14 million U.S. dollars this year.

Also today, Minister Khamphoui Keoboualapha and Vietnam's Minister of Culture, Information, Sports and Tourism Tran Hoan signed an agreement on cooperation for the 1991-93 period.

This evening, Vice-Chairman of the Council of Ministers Dong Sy Nguyen received the Lao delegation.

International Mekong Committee Concludes Meeting

BK1302113391 Vientiane KPL in English 0909 GMT 13 Feb 91

[Text] Vientiane, Feb 13 (KPL)—The 33rd plenary meeting of the International Interim Mekong Committee took place in Luang Prabang, the northern Laos, during February 4-7, 1991.

The meeting was attended by Mr. Phao Bounnaphon, Lao minister of external economic relations and representative of the Lao Government at the meeting, Mr. Vongphet Saikeuyachongtua, governor of Luang Prabang, and Dr. Kithong Vongsai, Lao deputy minister of external economic relations and president of the Mekong Committee in 1991. Also taking part in the meeting were 25 foreign delegations, 13 delegations of international organisations and one observer delegation.

Mr. Phao Bounnaphon, in his inaugural speech, stressed on the needs for close cooperation among member countries and between the latter and various friendly countries and international organisations. He further called for environmental protection along with development.

Noteworthy, three new delegations of China, Norway and Yugoslavia, which have never participated in the Mekong Committee's meeting, and delegation of the United States, which has not attended the Mekong Committee's meeting since 1978, also took part in.

The session discussed a number of matters. In particular among the construction projects of facilities on the Lao soil include the Hydro Power Project-Nam Theun I, a multipurpose project of hydro-power irrigation in the upper Luang Prabang Province, an irrigation project on Houai Phaling (Champassak Province), projects for the water resources development in Laos, an irrigation and hydropower project of Nam Mang 3 in the area of Phoukhao Khuai, Vientiane Province. In addition, the discussion also dealt with some projects benefiting three member countries such as: a project of balanced water consumption in the lower basin of the Mekong River related to the water resources development, environmental protection, data collection and others.

At this session, the head of the European Community [EC] delegation announced that the EC would unprecedentedly offered 700,000 U.S. dollars to the formulation of the master plan for the development of water resources in Laos. While Vietnam and Thailand have had such projects. The EC would render assistance to Laos for the project of anti-flood embankment (second phase).

The head of the Australian delegation also confirmed to continue render the assistance to the anti-river-bank-erosion project at Tha Deua, Vientiane Prefecture, and the construction of small river ports along the Mekong in Houai Sai, Bokeo Province, and Paklai, Sayaboury Province.

The representative of the Asian Development Bank announced to fund the survey of the Hydro Power-Irrigation Project Nam Mang 3.

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ALOUN MAI Views Fifth Party Congress

BK1302044391 Vientiane Domestic Service in Lao 1200 GMT 11 Feb 91

[Editorial in February issue of ALOUN MAI journal: "March Toward Fifth Party Congress!"]

[Text] Since the complete liberation of our country in 1975, our party has convened the third congress in 1982 and the fourth in 1986. It is now preparing to hold its fifth in early 1991. Each congress had its own significance and conditions for studying and assessing international and domestic situations; charting directions for political, economic, and social affairs; consolidating and perfecting the party's rules and regulations unanimously; and in electing a new central committee. The coming Fifth Party Congress, however, holds a special significance, and is different from the previous ones. When the fourth and the third congresses were held the international situation was favorable. Socialism was then militarily, politically, and economically strong, a benefit to revolutionary movements.

Since the Fourth Party Congress, however, the world has changed. Since late 1988, various socialist countries in Eastern Europe have had difficulties in bringing about new changes. Many countries suffered serious crises in all respects and lost their power. In those countries, the working class no longer has power, which has fallen into the hands of other classes. In addition, socialism no longer serves as a unique system; its overall influence in all fields has decreased. The world situation has reversed and the balance of power has changed. World revolutionary movements are now on the defensive while imperialists and counterrevolutionary forces are on the offensive, carrying out sabotage in these countries. Attacked by the imperialists, many socialist countries collapsed. As a result, revolutionaries are now at a dead end. The revolution has suffered a theoretical crisis and many countries have turned their emphasis upon science and technology, abandoning the class struggle and socialist principles. Though they have adopted the democratic social system, they continue to face difficulties and complexities. Following these changes in Eastern Europe and in the Soviet Union which is suffering from these difficulties, the international worker and national liberation movements have been thrown into confusion. While opportunists tilted to the right, revisionism has advanced, as Marxism-Leninism faces new trials. With the change in the world balance of power, the situation in the Asia-Pacific region has also been altered. In response, countries in this region, mainly Cambodia, Laos, Vietnam, and China are now implementing the counterrevolutionary strategy.

The revolution and the Fifth Party Congress faces this situation. To counter this situation, we have brought the resolutions of the Fourth Party Congress into full play, switching from advancing socialism to consolidating and promoting the popular democratic system. This is why we have successfully defended revolutionary gains, safeguarded national independence and freedom, maintained political stability and social order, consolidated solidarity and harmony among the multiethnic people of various classes and all strata, and scored some socioeconomic achievements. Nevertheless, we are still bogged down with some problems, for example in the maintenance of political tranquility. The fight against the enemies in each sector is fierce and the lives of administrative and technical cadres as well as of soldiers and police are still difficult. This has affected our line of thinking. Some of our people have become discouraged, hopeless, and selfish. Some of them have switched to multipartyism. The enemies have taken advantage of the people's misunderstandings and failure to cope with the situation. They have persuaded them to embrace wrong attitudes and views, and to serve their schemes by carrying out sabotage, thus creating problems in the nation's socioeconomy.

The new schemes of the enemies are subtle and brutal. At present, they have switched from using force, to creating insurrection, to sabotaging the party leadership and undermining the influence of leaders. The fabrications and acts of the enemies in the past as well as the present [passage faded out].

All cadres, soldiers, and police as well as the multi-ethnic people of all strata are pinning their hopes on the Fifth Party Congress. Friendly countries as well as the imperialists and enemies will watch the fifth congress with different intentions and views. Should the Fifth Party Congress improve or worsen the nation's destiny or raise its prestige and honor internationally is the significance of this congress.

The precious traditions of our party leadership are quickness in responding to changes; conforming to new situations; and maintaining unique solidarity, loyalty, and determination in defending national interests. With these traditions, we have successfully sailed through violent storms and have systematically won achievements for the nation in carrying out our people's cause of struggle.

Since early 1990, the Political Bureau and the Secretariat of the Party Central Committee, with this sense of tradition and responsibility of the nation's destiny, have combined the preparations for the Fifth Party Congress with the campaigns to score achievements to welcome the four major festivals. For example, they have provided an opportunity for cadres, party members, and people of all strata as well as personalitiess, Buddhist monks, students, and intellectuals throughout the country to study and contribute views democratically to the draft political report of the Fifth Party Congress. This is to ensure that party resolutions and directions conform to the situation and the aspirations of the people, to be worthy of the people' and belong to the people of all strata in society.

In actual practice, over the previous months, cadres, soldiers, and multi-ethnic people have exercised their democratic rights to contribute views responsibly to the report of the fifth party congress. Nevertheless, we should not take this to mean that everything is fine. We should remember that enemies and ill-intentioned elements have always sought to sabotage and create problems for us. Therefore, so that the Fifth Party Congress convention is smooth, we must strive to effectively fulfill many tasks.

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For example, we must create more mass movements in all fields and build, strengthen, and firmly grasp the infrastructure in all respects. We must also organize to review and assess the achievements in all fields, note outstanding achievements, point out weaknesses and shortcomings and their causes and discuss concrete measures to solve them. Also, we must note new favorable points to promote them or problematical ones to solve them. We must also distinguish friend from foe, and understand new, subtle, and brutal enemy schemes in order to stop them in time.

Most importantly we must enhance the internal solidarity and unity in party leadership at all levels and defend the leadership and the party. We must strengthen its roles and prestige by acting as examples for cadres and party members in taking the lead in performing tasks, establishing and maintaining unique solidarity and concord among the multi-ethnic people of various classes and of all strata throughout the country, in order to defend and build a peaceful, independent, democratic, unified, and prosperous Laos. Another important issue is to continue guaranteeing the maintenance of political stability by solving economic and financial problems and improving the living conditions of all cadres, state employees, soldiers, police, and people. It is also necessary to attentively build and promote patriotism and a sense of ownership of the country, practice equality among the various tribes, and settle all societal injustice.

If we fulfill these tasks, the fifth congress of our party will proceed effectively and will succeed in meeting the hopes of our people and the expectation of our friends in the world.

Kaysone Phomvihan Addresses National Conference

BK1302100391 Vientiane KPL in English 0903 GMT 13 Feb 91

[Text] Vientiane, Feb 13 (KPL)—Chairman Kaysone Phomvihan of the Lao Council of Ministers, addressing the second day session of the first National Conference on Communication, Transport, Post and Construction, yesterday said that all the referred to the communication route as the main artery of the country—a spearhead of the national development strategy. [sentence as received]

On the operation of this work sector, he welcomed the growing number of the work force with improved skills. At the same time, he criticized some sub-standard work done in road building and others due to lack of responsibility and technical mistakes. Here, he cited the construction of Keng Kabao river port which is too large to serve the goods movement that actually accounts for only 10,000 tons a year.

The CM [Council of Ministers] chairman also commented that normally hundreds of kilometres of roads a year can be built. However one province and 14 districts in the country remain inaccessible by roads.

To overcome such a situation and to achieve specifications of the construction projects, he said, key principles in the work operation should be adhered to. In this connection, he suggested that detailed plans should be worked out and cooperation with foreign countries should be conducted in an active and effective manner.

Speaking about the functioning of construction companies, he said the use of transportation means must be cost-effective. Their services must reach required standard which means companies must have technical capacity and adequate financeal status.

Furthermore, the CM chairman said continued efforts should be paid to national highways, roads to the sea, roads linking provinces and linking provinces to districts, and roads along the border. Main roads should be improved in such a way that they can ensure round-the-year communication. The post system within the country and with overseas must be ensured. Building of infrastructure in rural areas must be planned and any companies that face bankruptcy in operation must be abolished.

Phoumi Vongvichit Attends Provincial Meeting

BK1202150391 Vientiane Domestic Service in Lao 1200 GMT 12 Feb 91

[Text] An enlarged plenary session of the Lao Front for National Construction [LFNC] chapters of Houa Phan and Xieng Khouang Provinces was convened yesterday morning [11 February] in Sam Neua District of Houa Phan Province with the attendance of Phoumi Vongvichit, Political Bureau member of the party Central Committee, acting president of state, and chairman of the LFNC Central Committee, together with members of the party and administrative committees of Houa Phan Province, representatives of the district and provincial level LFNC committees of Xieng Khouang and Houa Phan Provinces, heads and deputy heads of various services concerned, and some 100 intellectuals and Buddhist monks.

At the meeting the participating delegates will discuss and assess the organizational work in implementing the resolutions adopted at the second national LFNC congress. They will also comment on a report on the 1990 achievements and the 1991 LFNC program of action with a view to modifying and rectifying the front's working pattern and method at the grass-roots level, ensuring the continuation of the execution of the four fundamental duties of the LFNC at each level, effecting changes in the thinking of the front committees toward work in the new period, upholding the quality of organizational work, and linking the work of the front committees at various levels with the overall movement of the entire country.

The enlarged meeting of the LFNC of the two provinces will be held for 2 days.

Philippines

Manglapus Submits Base Compensation Proposal

HK1302124291 Quezon City ABS-CBN Broadcasting Corporation DZMM in Tagalog 1100 GMT 13 Feb 91

[Text] Foreign Affairs Secretary Raul Manglapus formally submitted today to U.S. special negotiator Richard Armitage the Philippine's compensation proposal for the retention of the U.S. military bases facilities in the country. However, both Philippine panel spokesman Ambassador Raul Rabi and his counterpart, U.S. Embassy Spokesman Stanley Schreiger have refused to devulge details on the said issue.

The only Rabi statement was that the Philippine proposal is based on its current financial need for the implementation of the country's economic recovery program.

Schreiger for his side said that the U.S. Congress will base the level of compensation on their facilities' length of retention in the Philippines.

Further on Manglapus Proposal

HK1302045791 Manila PHILIPPINES NEWSDAY in English 13 Feb 91 pp 1, 2

[By Arthur I. Bariuad]

[Text] Foreign Secretary Raul Manglapus yesterday countered what the United States had earlier described as a "realistic" compensation package for the continued use of the bases with his government's own estimate of a reasonable economic component of a new bases agreement after 1991. The U.S. indicated that higher levels of compensation were tied to a longer transition period.

Briefing newsmen at the secured Philippine International Convention Center after intense discussions, Philippine panel spokesman Ambassador Raul Ch. Rabe said that the home panel presented to U.S. chief negotiator Richard Armitage "its own views on the issue of compensation for the bases."

While refusing to give specific details of the proposal, he said: "All I can say at this time is that we submitted proposals on the perceived needs of the country and our desire to have as much as possible from these bases talks to help us in all our economic recovery programs, which will enable us to get back on our feet."

Rabe stressed that the Philippine government did not in tend to overburden the United States with its proposal although it wants to get as much monetary consideration from them for their continued use of the facilities. "We do not intend to get everything that we need from the Americans, but we want to get as much as possible."

The Philippine demand was made in answer to Armitage's offer Monday to Manglpaus.

At the same briefing, U.S. panel spokesman Stanley Schrager said that Washington could only provide a higher compensation package, but emphasized that this could only be possible if they were allowed a longer transition period. The U.S. has formally proposed a transition period of 10-12 years with a residual American military presence at the end of the term.

"It is clearly easier for us to provide higher levels of compensation if the transition period is a longer one," Schrager said, "Which would give the U.S. the chance to make the necessary preparations, to not think in terms of an immediate or immiment withdrawal or phaseout and at the same time to make long-range plans for the economic development of the Philippines as well as meeting the strategic needs of the United States."

Schrager refused to provide the fabric of the U.S.-proposed financial package, but indicated that it could only afford a modest amount.

"Whatever the ultimate figure that is arrived at, it represents only a small fraction of the overall bilateral relationship which we estimate to be between $6 billion to $8 billion a year," Schrager said.

Schrager said that there were "certain limitations and certain restraints to our own budget difficulties in the United States." He added that they were also "taking into consideration the economic needs of the Philippines."

He said that the U.S. would likewise look at "other options and other ways to provide both hard and soft components for a compensation package."

Last month during the fourth round of talks, the Philippine panel issued four guidelines by which it would work out the details of its compensation package.

The Philippine panel maintained that the compensation must be keyed toward advancing the country's national development; that the package must be in a fixed amount and not a "best efforts" pledge; that the amount must be over and above U.S. offers of aid; and that allies who benefit from the facilities should be prepared to share the burden.

As talks continue over the rest of the week, both panels while saying that the discussions were "moving forward," hinted that the talks could still be extended to one more round to finally wrap the terms of the proposed treaty of friendship, cooperation and security.

The issue of compensation has remained the sore point over the fate of negotiations.

Other issues such as duration, Status of Forces Agreement (SOFA) or the non-defense concerns of the proposed treaty focusing on criminal jurisdiction are still to be discussed.

Rabe said that there was no progress as yet on criminal jurisdiction. The Philippines has batted for the application of Philippine laws against offenses U.S. service personnel although during the past few weeks preceding the talks, Manglapus has indicated that the Philippines could compromise its position in exchange for other firm positions it has taken.

In a related development, the militant League of Filipino students [LFS] said that the final round of the Philippine-American Cooperation Talks (PACT) was tied up with the $700 million loan package from the International Monetary Fund.

"Thus, the immediate clinching of a new bases treaty between the Philippine and American panels will be a precondition for the release of the much-needed loan by the Aquino government from the IMF," LFS vice chairman Robert de Castro said.

The LFS is one of the staunchest anti-bases organizations in the country which has been closely following up the developments on the ongoing bases talks.

Editorial Uges Public Support for Bases Panel

HK1302053191 Manila PHILIPPINE DAILY INQUIRER in English 13 Feb 91 p 4

[Editorial: "Bases Panel Needs Public's Support"]

[Text] As the bases talks near the crucial final phase, commentators favoring the retention of the U.S. bases have begun assailing what they call the "narrow" nationalism of those who would equate "mere" anti-Americanism with "loyalty and devotion to a nation," as the dictionary defines nationalism.

In these commentators' view, Filipinos demanding the dismantling of American military facilities in the country, or even the "phaseout" of these facilities, which is the stand of the government panel in the talks, are knee-jerk "anti-Americans" who do not have the good of the majority of Filipinos in mind.

Given the material and military benefits to be gained from the bases, they say, the national interest would be better served by extending the U.S. lease on these facilities.

The position of the Philippine officials representing the government in the ongoing Philippine-American Cooperation Talks (PACT), is that working for the phaseout of all U.S. military facilities and forces in the country is not necessarily being anti- American. They view it instead as part of the process of "working for the creation of a New Relationship" between our two countries, "a deeper friendship that is more equitable and beneficial" to both.

Of course, to those ranged on both extremes of the bases debate, such reasoning is no more than rhetoric—coating hostile stances with sweet-sounding phrases, or veiling abject capitulation behind tough language.

At this point in the talks, it is clear that both sides have agreed that at some point in the fugure American control of the bases will revert to Filipino hands. The issues still in question now are: How far along in the future will this "transfer of technology and functions from American to Philippine personnel" take place? May American forces continue to remain in and use the bases even after formal turnover of administrative control to the Philippine government? And how much should the U.S. pay the Philippines in the years during which they are "phasing down" (to use their preferred term) their presence in the bases?

Corollary to the last question are more issues: In what form are these payments to be made (aid or rent?) May the U.S. couch its offer in the usual "best efforts" pledge, or should it commit itself to a definite figure, as the Philippine panel insists?

Clearly, there is a lot of room for maneuvering, for softening or compromising official positions as the final agreement is hammered out. And the outcome of the agreement, we believe, depends on the sense the members of the Philippine panel get of how much support the positions they have staked out in the talks will be supported by their superiors as well as the Filipino public.

Giving our bases panel the support and confidence they need to win the most favorable terms for the Philippine side is thus imperative in this crossroads of history.

Editorial Urges Conclusion to Bases Talks

HK1302052591 Manila MANILA BULLETIN in English 13 Feb 91 p 6

[Editorial: "Time To Conclude U.S. Bases Agreement"]

[Text] Both the Philippine and U.S. governments, based on present indications, are now prepared to conclude a treaty that will settle the future of Clark and Subic and a few other bases hosting U.S. facilities. It is reported that the two sides are close to a meeting of the minds. If so, there is no point in further vacillation, considering that the negotiation has already reached its sixth session. If history has set the minute hand of its clock for the final resolution of this historic issue now, then let it take its course.

A new treaty, of course, will mean that the President will submit it to the Senate to be ratified or rejected as provided for in the Constitution. In that light, remarks attributed to certain government officials of wanting to circumvent the Senate through a national referendum are, to say the least, unfortunate. We should correct this misunderstanding.

But nothing now stands in the way of a treaty except the fears of an emotional backlash on the part of some of our countrymen. And even this is no ground to postpone the moment of truth. The burden has fallen on the Aquino administration—and this generation of Filipinos—to resolve an issue deeply rooted in our history and which touches a raw nerve in national debates. Democracy itself provides the method of reconciliation and consensus majority rule.

The shape of the treaty that is emerging is already discernible: the bases are to be phased out gradually. In the interim, U.S. economic and military assistance will continue, the U.S. will help modernize the Philippine Armed Forces, trade and technology transfer will be expanded.

The Philippines, in the words of Secretary Raul S. Manglapus, seeks "a deeper friendship that is more equitable and beneficial for both sides." Ambassador Richard Armitage, head of the U.S. panel, spoke of "responsibility sharing" which puts American assistance beyond considerations of charity or a mere commercial transaction and promised "full reciprocity" for any Philippine goodwill.

It is time to conclude the U.S. Bases Agreement. The speedy resolution of the bases question on fair and equitable terms will remove a major cause of uncertainty and insecurity. An early agreement will certainly improve the climate of investments, job creation, and economic as well as political stability. But above all it will send a message to both the Filipino and the American peoples that this issue has been resolved in a way that meets their deepest and broadest sentiments for maintaining a valued relationship based on full equality and shared values.

Foreign Office Plans New Gulf Embassies

HK1302051791 Manila THE MANILA CHRONICLE in English 13 Feb 91 pp 1, 8

[By Johanna Son]

[Text] The Philippines will open new embassies in the Gulf states of Bahrain, Qatar and Oman this year in a bid to boost its presence in the Islamic world.

The foreign office yesterday said the embassies would take care of the needs of some 25,000 Filipino workers in the three countries and make up for the closure of the Philippine missions in Kuwait and Baghdad.

In addition, the Philippines is opening an embassy in Ankara, Turkey, Foreign Affairs Undersecretary Pablo Suarez reported to a Senate finance subcommittee.

He said that after the Gulf crisis broke out last year, the foreign office received proposals from Filipino officials that the Philippines needed an "official presence" in those countries.

On Monday night, Sen. Santanina Rasul delivered a privilege speech asking the foreign office to augment its staff in the Middle East, who she said were having a hard time coping with the Gulf crisis.

Suarez agreed that the move was a bit late since Filipino overseas workers have been in the Middle East starting the late 1970s.

Suarez, seeking a P [peso] 34.5-million budget to open the three embassies, said the three Gulf states had endorsed the Philippine move.

If Congress cannot give the P34.5-million budget, Suarez proposed that the DFA [Department of Foreign Affairs] use the outlays for the Kuwait and Baghadad embassies amounting to P33.97 million.

At present, Filipinos in Qatar and Oman are being assisted by officials of the Overseas Workers' Welfare Administration. Those in Bahrain are attended to by the Philippine embassy in Abu Dhabi.

Suarez said the DFA would send one man to each of the three states to open the embassies there and accredit ambassadors before yearend.

"Now we're renewing our efforts because the Terres mission (in December to the Gulf), and other people said we need an official presence there," Suarez said.

"Diplomatic relations with the Islamic countries must be further strengthen ended. Turkey is one of the most influential muslim countries," Suarez said. He estimated it would cost $9.9 million to put up an embassy in Ankara.

The move would also improve the Philippine trade with Turkey. He said Manila imports $8.7 million a year from Ankaka, while Turkey's exports to the Philippines were worth $3.5 million in 1989.

Surarez estimated that there are 7,000 Filipinos in Bahrain 8,000 in Qatar and 10,000 in Oman.

National Diesel Reserves Drop to 21-Day Level

HK1302060591 Manila DWIZ Radio News 882 in Tagalog 0400 GMT 13 Feb 91

[Text] The national diesel reserves dropped to the 21-day level and the government needs to import more oil to normalize the diesel inventory level. According to Wenceslao de la Paz, presidential assistant on energy affairs, the country's diesel supply was reduced due to increased consumption, increased rates in the international market, and the limited diesel refining capacity. De la Paz said the country's normal diesel level should be from 25 to 30 days. Last Monday, however, the inventory dropped to the 21- day level. He further said that the government will have to import over 150,000 barrels of diesel in order to fill up the missing supply for 10 days. But he reiterated that there is no need to ration gasoline despite the current diesel situation. He also brushed aside speculations that there will be another round of petrol hikes. De la Paz said that petrol supply should be maintained in order to pay off the debt from the Oil Price Stabilizaton Fund.

Senator Orlando Mercado wants the government to lift the nine percent import levy, not only on gasoline but also on all major imports. This would avoid another oil price hike. According to him, it is easy to lodge this proposal but the government probably cannot do anything about the matter because this is one of the provisions of the Letter of Intent submitted to the International Monetary Fund.

Three Army Officers Acquitted of Coup Charges

HK1302114091 Manila Manila Broadcasting Company DZRH in Tagalog 0800 GMT 13 Feb 91

[By Eloi Aquino]

[Text] Three high-ranking army officers involved in the failed December 1989 coup attempt will soon be resuming active military service after having been acquitted by the Armed Forces special investigating committee. Acquitted were Lieutenant Colonel Jacinto Ligot, former Army Deputy Operations chief; Lieutenant Colonel Franklin Brawner, former Army Deputy Personnel chief; and Captain Roberto Rocio, former signal officer of the dismantled First Scout Ranger regiment. This was learned from the office of Colonel Aniano Decierto, the deputy judge advocate general.

Meanwhile, Army Chief Major General Lisandro Abadia said the three officers will be reinstated in the Armed Forces of the Philippines. However, Abadia did not say whether the three would resume their former positions in the Army command. The three officers were presented earlier today to General Abadia after their acquittal by the special investigating board which handled their case. Abadia said he personally reprimanded the officers. Ligot and Brawner were accused of conspiracy with the rebel Scout Rangers who occupied Fort Bonifacio at the height of the failed December coup. Rocio, meanwhile, allegedly attended a conference by rebel leaders on the eve of 30 December before the bloody coup was launched. But based on the findings of the special probe body, Ligot and

Brawner were only forced to wear rebel countersigns during the coup to save themselves and be able to move freely in order to observe the rebel positions. Rocio was acquitted after the board discovered he failed to attend the conference because he was admitted to the Army Station Hospital in Fort Bonifacio for chest pains and did not leave the hospital until 9 February.

Rebel Soldier Implicated in Coup Eludes Arrest

HK1302052391 Manila THE MANILA CHRONICLE in English 13 Feb 91 p 8

[Text] A fugitive military officer who was implicated in the failed December 1989 coup had reportedly eluded arrest in Makati last week.

A Camp Aguinaldo source said former army major Allen Querubin had escaped arrest a day after the military arrested two top leaders of the military rebel movement—former constabulary Lt. Col. Victor Batac and former army Major Abraham Purugganan.

Military intelligence agents set up an entrapment in a Makati rebel safehouse last Thursday but Querubin did not show up.

The military could have arrested Querubin along with Batac and Purugganan but allowed him to escape because the military wanted to track him down and eventually lead them to where the other rebel leaders were hiding.

A military source said Querubin was with Purugganan when the latter was arrested Wednesday noon near the Makati Tradewinds Hotel along the South superhighway.

Querubin managed to get off from Purugganan's car before the latter was arrested. He fled towards the hotel but the military intelligence officers did not try to arrest him.

Instead, they monitored his moves to track down other fugtive officers Querubin would contact.

Their efforts paid off when Batac was arrested at the Yulo townhouse apartments, a longtime rebel safehouse in Makati.

Querubin, however, escaped when he disappeared during the raid on Batac's safehouse.

Estanislao Says Creditors Endorse Economic Plan

HK1302053391 Manila PHILIPPINE DAILY INQUIRER in English 13 Feb 91 pp 1, 8

[By Danny Petilla]

[Text] The country's creditor-banks have endorsed the administration's Economic Support Program [ESP] after President Aquino assured them the government will not repudiate its debts, Finance Secretary Jesus Estanislao said yesterday.

Estanislao also reported that donor-countries sitting on the IMF board have agreed to endorse the program prescribing austere spending and heavy budget cuts from 1991 to 1992.

He said the 12-member Bank Advisory Group agreed to finance the program together with other multilateral creditors.

He said the bank group will seek waivers from creditors so that the Philippines can avail itself of the $115 million balance of the $706 million the banks extended to the country in 1989.

"It is critical that the banks are on board to make sure that our ESP will be fully-financed," Estanislao said.

He said what convinced these countries and creditor-banks to endorse the program was Ms Aquino's personal assurance that her administration will pay all outstanding loans.

"I will be very frank with you. What turned the tide in our negotiations with the banks advisory committee was a direct statement from the President which she authorized me to make repeating the policy of her government since 1986 that there is no way by which the Philippines can observe a policy of debt repudiation," Estanislao said.

Congress, particularly the House of Representatives, has vowed to limit payment of foreign debt to 10 percent of the country's annual exports receipts.

Estanislao said they will persuade Congress to remove the "debt cap rider" on the budget, saying this might discourage creditors to lend new money.

"We mean to honor our debts and that direct statement from the President turned the tide and made them react very favorably," Estanislao added.

More on Finance Secretary's Remarks

HK1302053791 Manila PHILIPPINE DAILY INQUIRER in English 13 Feb 91 p 13

[By Oscar Quiambao]

[Text] Bank creditors of the Philippines might still agree to extend fresh loans to Manila provided the government assures them of lesser risk of default, Finance Secretary Jesus Estanislao said yesterday.

He said the bank advisory group representing Manila's over 200 commercial lenders appeared responsive to a new scheme Manila has offered to facilitate the granting of new loans.

Instead of the usual direct loans, a consortium of banks and multilateral financial institutions like the World bank and the Asian Development Bank would instead be asked to pursue a co- financing arrangement for the Philippines, Estanislao said.

In co-financing arrangement, multilateral lenders like the World Bank and bilateral creditors like Japan agree to match the amount any of them would extend to a country.

Estanislao said that the government will meet with the Manufacturers Hanover Trust Co. and the Bank of Tokyo, chairman and co-chairman, respectively, of the bank advisory group, to finalize the proposal.

He said the government envisions the same arrangement with the banks although this would mean that the official creditors would have to increase the amount they regularly allot to the country.

Sources in the international financial community said a co- financing scheme would be more acceptable to the banks as it would lessen the risk of default, especially with the persistent clamor from Congress for selective repudiation of and a payment cap for Philippine debts.

The co-financing arrangement, however, would mean that the government would no longer have the privilege of rescheduling payments as loans from multilateral lenders do not carry such features.

Although there have been cases when a country reneged on its commercial loans, it still has to happen that a country also defaulted on official loans.

Official loans, or loans incurred with other nations, carry concessional terms and longer maturities.

Meantime, Central Bank Gov. Jose Cuisia Jr. said the two foreign banks that earlier failed to endorse the extension of the $3-billion revolving trade facility the Philippines is seeking have now signified their approval.

Despite the favorable development, the government would still have to negotiate with the banks for the release of the $115 million balance of the $706 million new money the banks extended to the country in 1989, Cuisia said.

He said the government has to get waivers from the banks to forego compliance with the new money provisions that were based on the cancelled tended fund facility from the International Monetary Fund.

344 Air Force Personnel Face Charges

HK1302050791 Manila MANILA BULLETIN in English 13 Feb 91 p 8

[By Ronnie de Guzman and Aris Ilagan]

[Text] The Philippine Air Force (PAF) disclosed yesterday that 344 PAF personnel were charged last year with various offenses ranging from absence without official leave (AWOL) to homicide.

Air Force chief Maj. Gen. Gerardo Protacio said that 31 of those charged last year were officers.

Protacio said 14 PAF officers who were dimissed from the military service were either reverted to inactive status, separated and retired, or were dropped from the rolls for violating Articles of War (AW) 117 (separation from the service) and AW 105 (disciplinary action by a commanding officer).

All the 14 officers were charged with offenses ranging from illegal possession of prohibited drugs, conduct unbecoming an officer, bribery and corruption, AWOL, to homicide.

Three other officers are now being tried by the AFP Efficiency Separation Board (ESB), while five others are awaiting the filing of charges, Protacio said.

A total of 108 enlisted personnel were discharged from service for being AWOL; 87 were discharged without honor for offenses that included physical injuries, and abandonment and non-support of family.

Civilian employes in the PAF were not spared from the crackdown on undesirable personnel. Air force authorities said 45 employes were terminated by the command for various misdemeanors.

"The number of personnel dismissed from the Air Force is a stern warning against erring personnel in the command that offendeers will not be left unpunished," Protacio said.

Armed Forces Chief Cites Disciplinary Efforts

HK1202044491 Manila PHILIPPINE DAILY INQUIRER in English 12 Feb 91 pp 1, 9

[Text] Lt. Gen. Rodolfo G. Biazon, Armed Forces chief of staff, yesterday admitted there was graft and corruption in the AFP [Armed Forces of the Philippines], but said measures were being undertaken "to eradicate" the problem.

While corruption continues to be a problem, Biazon said it was not serious enough to trigger another coup attempt. Besides rebel soldiers no longer have the capability to mount a serious threat against the government, he added.

"There have been more improvements in the system. We are still trying to completely eradicate this (graft and corruption)," Biazon said.

He said the AFP has adopted a Code of Ethics that was conceived to eliminate corruption by the year 2000. But he added reforms always take time to implement.

"I don't think (the problem of corruption) is really that serious," he said. "We are not saying that there are not anymore cause for reforms to attend to."

Yesterday copies of the wallet-sized AFP Code of Ethics were distributed in military camps. The code which has been described as the "Soldiers' Bible" was prepared as a guide for soldier's "official, moral, social and legal actuations."

It was drafted by 109 delegates to the AFP Code of Ethics Convention, which opened last October and ended yesterday.

Biazon said the code is part of the AFP's efforts to stop graft and corruption and the military's contribution to the national movement for reforms.

"Reforms are still needed not only in the AFP but also in society," he said.

Mutinous troops have cited graft and corruption in government, including the military service, as a major reason for launching at least seven coup attempts against President Aquino.

Graft, Corruption in Military Said 'Unabated'

HK1302050391 Manila BUSINESS WORLD in English 13 Feb p 10

[By Ma Caridad S. Bautista]

[Text] Contrary to the statement made by Armed Forces Chief Lt. Gen Rodolfo G. Biazon that graft and corruption in the military is "not so serious," AFP [Armed Forces of the Philippines] Anti- Graft Board Chairman retired Brig. Gen Manuel Flores said graft and corruption is actually "all over, it is unabated, it is every where."

In an interview with BUSINESS WORLD, Mr. Flores said this is so because those recommended for prosecution are not charged. "If it is reported to you, then they should charge these people. But they do not."

The Anti-Graft Board was created in 1986 to investigate and establish prima facie evidence against military personnel who have ill-gotten wealth. The body can only go as far as recommending a prosecution.

Mr. Flores specifically bewailed a case when a retired general of the AFP was recommended for prosecution to the Presidential Commission on Good Government [PCGG].

"We reported that he has illegally gained P [peso] 8 million during his military service. He denied this. But there was a settlement with PCGG amounting to more than P2 million," he said.

This case, he said, has set a precedent. "Hindi na sila natatakot kasi puweda namang magkaroon ng settlement (They are not afraid because they know there can be an out-of-court settlement)," he said.

Mr. Flores said it is frustating to recommend prosecution because nothing happens.

Immediately after it was created, the AFP Anti-Graft Board investigated more than 200 generals and colonels for alleged ill- gotten wealth. They recommended that ten be prosecuted. Some cases are still pending with the Sandiganbayan while others have been cleared.

Mr. Flores agrees with Sen. Juan Ponce Enrile that unless more reforms are made, the threat of another coup still hangs in the air. He said it is difficult to totally rid the military service of graft and corruption because "it is in the culture tapos wala pang napaparusahan (no one is punished)."

Navy Chief Urges Strengthening Sea Defenses

HK1102052791 Manila MANILA BULLETIN in English 11 Feb 91 pp 1, 16

[By Wilma Yamzon]

[Text] Rear Admiral Mariano J. Dumancas, Philippine Navy chief, pushed yesterday for a realignment of priorities of the Armed Forces of the Philippines (AFP) by strengthening the country's defense at sea.

Speaking at the 52nd anniversary rites of the Naval Training Command (NTC) at Fort San Felipe in Cavite City, Dumancas said the geography and strategic location of the Philippines in the Asia- Pacific region makes the seas the "primary defense line of the country."

He added that much of the country's resources are in the sea and must be protected as well.

"Reports of oil off the shore of Palawan, roving schools of fish plying our waters, and other maritime resources are magnets which can attract unwanted foreign interests," he said.

He stressed that "the seas are the major resources of our nation, and because of the population pressure, our land as a production base has shrunk and will continue to shrink because of the lack of equipment and ships to guard them."

He said the separation of the PC-INP [Philippine Constabulary-Integrated National Police] from the AFP will also lead toward a possible shift of defense priorities from land to the sea.

With this development, Dumancas urged the Naval Training Command [NTC] to look closely into the Navy's training programs to see how prepared Navy officers and men are in establishing command and control at sea.

"The allure of sea duty for our officers and men has been diminished by marginal readiness and limitations of our ships," he said.

During the NTC anniversary celebration, Dumancas awarded medals and plaques to outstanding NTC officers and men. Among them were Lt. Commanders Efren Taduran, Cesar Carranza, and Geraldo Manor; Chief Petty Officers Benjamin Rosario and Rufino Bernal; Petty Officer 1st Class Pacifico Liguigan; Seawoman 2nd Class Ofelia Lopez; and Maximo Leyco, a civilian employe.

Monitoring of Sea Vessels Recommended

HK1302045991 Manila PHILIPPINES NEWSDAY in English 13 Feb 91 p 3

[By Merlinda Manalo]

[Text] The Department of Justice yesterday recommended the implementation of a plan by the Departments of Foreign Affairs [DFA] and National Defense to monitor vessels entering the Philippine Shipyard and Engineering Corp. (Philseco) in Subic Bay to ensure the non-entry of military vessels in the area.

Justice Secretary Franklin Drilon has recommended the approval of the memorandum of agreement between the DFA and the DND [Department of National Defense] since he found no legal flaw in the proposal prepared by the Technical Committee on Privatization.

The draft memorandum of agreement was prepared by the committee upon the request of the Japanese embassy for appropriate monitoring schemes to ensure that the non-military use of the Philseco facilities are maintained.

The Economic, Scientific and Technological Corporation Agreement with Socialist Countries (Soccon) said that the memorandum, if implemented, would facilitate discussions with Japanese creditors on the privatization of Philseco.

The memorandum cites the discussions by the Japanese and Philippine government which specify the non-military use of the Subic Ship Repair Yard Project of Philseco.

Under the memorandum, all vessels entering and leaving the Philseco area should be inspected to ensure that only commercial vessels enter its dry-docking and repair facilities.

The memorandum also requires all vessels entering and leaving the Philseco to seek clearance from the Subic Naval Base COmmand (Subcom).

The Subcom can also have access to records of vessels being serviced by the Philseco under the memorandum.

Foreign Travel, Study for Military Banned

HK1302051991 Manila THE MANILA CHRONICLE in English 13 Feb 91 p 9

[By Manny Mogato]

[Text] Armed forces chief of staff Lt. Gen. Rodolfo Biazon, in an attempt to save on dollars needed to buy supplies of frontline troops, has banned foreign travel and schooling for the military.

For the same reason, Biazon also banned military participation in seminars, fellowships and sports activities abroad.

In an interview, Biazon said 30% of its P [peso] 20-billion budget had been reduced by increases in the prices of fuel and other strategic supplies.

Half of the P20 billion had been allocated to the salaries and expenses of the 70,000-man army, while the rest were channelled to the expenses, mostly repair and maintenance of vehicles and equipment, of the navy and air force.

The AFP [Armed Forces of the Philippines] had proposed a P24- billion budget for 1991, but congressional leaders wanted a thorough review and reduction of the proposal to decrease the government budget deficit.

Affected by the ban on foreign travel and schooling were the Command and General Staff Course, equivalent to an academic masters' degree, at military schools in the United States, Germany, France, Spain, Great Britain, New Zealand, Singapore, Indonesia and Thailand.

But according to Biazon, American-sponsored education and training under the International Military Education and Training Program (IMETP), which forms part of the 1947 RP [Republic of the Philippines]-US Military Bases Agreement, would continue.

The AFP chief also issued a memorandum ordering all major service commands and other units to implement a wide range of cost-cutting measures to save on military funds. The measures include the recycling and saving of office supplies; reduction in the purchase of fuel products; suspension of purchases of office furniture and equipment; reduction or postponement of "non-urgent" activities such as anniversary celebrations; and rechanneling of money and other resources to frontline units.

The military sends 800 to 1,500 of its men for schooling and training abroad.

Japan Grants $10 Million Loan for Projects

HK0702040291 Manila BUSINESS WORLD in English 7 Feb 91 p 2

[Text] The Japanese Government has granted $10-million for an irrigation project in drought-stricken Bohol.

Launched yesterday in Barrio Capayas, Ubay town, the irrigation project is designed to minimize dry spell looses.

During the groundbreaking ceremony, Minister Nobuyasu Abe of the Japanese Embassy said the project is intended to help farmers cope with the "stubborn and often hostile onslaught of a dry environment."

In its latest crop damage report, the Department of Agriculture (DA) identified Bohol as the only province in Central Visayas severely hit by the current drought.

As of yesterday, the province had already lost P [peso] 45 million worth of palay and corn.

Previous studies show Bohol's agricultural output drops by as much as two-thirds in volume due to drought.

Part of the Capayas project is the construction of a dam, irrigation and drainage canals, maintenance roads and an office building.

The project is a component of the Bohol Irrigation Development Project (BIDP) which will irrigate 13,710 hectares of palay and corn farms in the province.

BIDP consists of three phases covering the construction of the Malinao Dam, Pamacsal an Dam and irrigations systems in Bayongan and Capayas.

BIDP is being pursued with a support system based on new farming technology developed by the Agricultural Promotion Center (APC).

The center, which focuses on farm productivity development, was established in 1985 through a grant from the Japan International Cooperation Agency.

Agriculture Posts 2.7 Percent Growth in 1990

HK2401033391 Manila BUSINESS WORLD in English 24 Jan 91 p 10

[By Hernani P. De Leon]

[Text] Against a backdrop of major calamities, the farming and fishery sector posted a 2.7% real growth last year, records from the DEPARTMENT OF AGRICULTURE [DA] showed yesterday. But palay production was down strengthening speculations of significant rice importations this year.

Nevertheless, DA's 1990 situation is a significant improvement over what has been reported by the National Statistical Coordination Board (NSCB) two weeks ago.

NSCB, an agency under the NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY, [NEDA] placed the agricultural sector's growth at 2.2% in real terms.

In its yearend report, DA yesterday indicated that the sector, consisting of crops, livestock, poultry and fishery, produced an output valued at P [peso] 194.13 billion as against P189.05 billion in 1989.

Despite the general improvement, data from the Bureau of Agricultural Statistics (BAS) showed palay production dropped by 3.8% or 9.1 million metric tons from 9.5 million metric tons in 1989.

Agriculture Secretary Senen Bacani also confirmed reports that the country may need to import an estimated 300,000 metric tons of rice before the end of the second quarter.

But he added there is no decision yet as to the date and volume of rice imports. DA, however, has to factor in losses from the drought-affected areas in the Visayas and Mindanao.

Traditionally, the country's rice inventory are at its leanest during the third quarter when consumption outstrips supply.

Slowdown

The 1990 output summary distributed yesterday underscored the slowdown in production on all crops during the first semester due to the five-month drought which lasted until the middle of May.

This, however, was offset by the 5.5% growth registered during the second semester as a result of substantial grains, poultry and livestock accomplishments.

Of the subsectors, poultry and livestock led all groups with a 10.38% increse in value and 12.2% in volume. The growth was attributed to the aggressive expansion of operations among contract growers of poultry integrators and increased number of backyard raisers.

Livestock and fishery subsectors also took the front positions with growth rates of 8.71% and 6.18%, respectively.

Notwithstanding the impressive second semester harvest for rice and corn, the crops subsector's combined production for the year declined 1.33% as a result of calamities and increases in the prices of farm inputs.

ADB Grants $35 Million Agricultural Loan

HK2501053591 Manila PHILIPPINES NEWSDAY in English 25 Jan 91 p 8

[Text] The Asian Development Bank [ADB] yesterday approved an interest-free 24.193-million [as published] special drawing rights ($35 million) loan for a special agricultural inputs supply project in the Philippines. The bank also approved technical assistance related to the sector.

The loan, from the ADB's concessional Asian Development Fund, will be used to finance imports for essential agricultural inputs—mainly fertilizer. The loan has a maturity of 35 years, including a 10-year grace period with an annual service charge of 1 percent.

The project will cover the foodcrop sector throughout the country, but will give special emphasis on restoring production in earthquake-affected areas. Technical assistance, in the amount of $400,000, will be provided as a grant to carry out a foodcrop sector study. The study will analyze policy reforms needed to make the foodcrop sector more efficient.

The impact of recent adverse developments—especially the drought and the July 16 earthquake—on the country's food security situation in the immediate future is of urgent concern to the government. The ADB loan will help reactivate foodgrain production by making fertilizer and other crucial inputs in short supply available to boost crop yields, farm incomes and food production.

The main objective of the project is to restore food production—especially rice and corn—which has declined significantly in the aftermath of the drought and the earthquake. The project supports key government programs in the agricultural sectors, particularly the Rice Action Plan, the Agricultural Development Plan (1990-1995) and the Rehabilitation and Reconstrution Program for the agriculture sector.

The Department of Agriculture will be responsible for implementing project-related activities, including the technical assistance. It will work closely with the Central Bank which will administer the proceeds of the loan.

Loan proceeds will be made available against imports of eligible agricultural inputs—mainly fertilizer. All eligible imports, to be undertaken by private componies, may draw on the proceeds of the loan on a "first-come-first-served" basis. Supply contracts for agricultural inputs costing $5 million or less will be procured under procedures appropriate to the trade and acceptable to the ADB. Larger contracts will be awarded through international competitive bidding.

Mindoro Governor Cites Improved Peace, Order

HK1202045591 Manila MANILA BULLETIN in English 12 Feb 91 pp 1, 22

[By Owen Masaganda]

[Text] Camp Vicente Lim, Laguna—Mindoro Oriental Gov. Benjamin Espiritu announced yesterday that the peace and order situation in his province has improved after the people were rescued from communist threats last year.

Espiritu, together with town mayors and the Association of Barangay Councils (ABC) of Mindoro Oriental, reported this in a dialogue with top military and Philippine National Police (PNP) officials held here and discussed possible problems that may arise in the future.

Brig. Gen. Evaristo G. Carino, PNP regional director for Southern Tagalog, called for the dialogue to map out operations against insurgency in the Mindoro provinces.

Espiritu said that the New People's Army [NPA] guerrillas in Mindoro are "not the main problem since their movement are seasonal," but "we must be vigilant, since they will strike any time."

The governor pointed out that "the problems of our people must be resolved right in our province. Let us work together and let us see what we can do to the government."

Mayor Renato Reyes of Bongabon town and president of Mayor's League of the Philippines, however, blamed the slowness in the delivery of basic services may be one of the reasons communist rebels (and sympathizers) thrive in the island provinces.

Reyes said that many people have died without the aid of medical attention and medicine. "Our request for construction of roads and bridges were not implemented, while our lawmakers received huge pork barrel," he added.

Local Government and Interior Assistant Secretary Rolleo Ignacio, who was present during the dialogue, together with Brig. Gen. Federico Ruiz Jr., Solcom [Southern Luzon Command] chief and Carino will conduct today an inspection in San Jose, Mindoro occidental, to look into the progress of operations against New People's Army rebels in the area.

Col. Honesto Bumanglas, PNP operations chief, told the Mindoro Oriental local executives that it is the policy of PNP Director General Cesar P. Nazareno to closely coordinate with the governors, mayors, and nongovernment organizations (NGO) in its counterinsurgency campaign.

The mayors pledged to Carino and Ruiz that they will led in the campaign against insurgency in their respective municipalities, appealing for the issuance of high-powered firearms to fight the NPA guerrillas.

PNP provincial director Edmundo Aquino, meanwhile, reported that only 34 barangays out of 424 are still influenced by the NPA.

Aquino said that Mindoro suffered setbacks in 1989 after Lt. Col. Romulo Decena, assistant PC-INP [Philippine Constabulary-Integrated National Police] chief, and seven policemen in Bongabon were killed in ambushes by the rebels. The NPA was also blamed for the waylaying of innocent bus passengers and wounding of several school children, among others.

At the same time, Ignacio told the mayors that their request for full control over the police has not yet been finalized. He said that it will take six months before the guidelines can be implemented.

Editorial on Politicking in Lower House

HK1102041191 Quezon City MALAYA in English 11 Feb 91 p 4

[Editorial: "House policticking"]

[Text] With public attention focused on the clangorous opposition in the Senate to the economic stabilization program, the House has slipped in its own fastball. The House reportedly has tacked a provision onto the 1991 appropriations bill setting a limit on foreign loan payments.

Section 62 of the bill provides that debt payments, both on principal and interests, be not more than 10 percent of merchandise receipts in 1989. Since 1989 export receipts amounted to $7.81 billion, the section in effect places a payment cap of $781 million. With a payments schedule of $2.5 billion this year, the House virtually says payments should be stopped on $1.8 billion of foreign obligations.

How this rider got attached to the budget is among those deep puzzles only the collective wisdom of the House can plumb. There are at least two pending bills seeking to place a limit on foreign debt payments, one pegging the cap at 15 percent and the other at 20 percent. The House, if it is serious with its intent to limit payments, should have passed any of the two bills and squarely confronted the issue. The precedent is there, a pre-martial law law putting a ceiling on debt payments which was repealed by decree of former President Marcos. Passage of the bill would not have made the proposal any less stupid, but at least the House could say it was its honest, well-thought out decision that the country would be better off not paying its debts.

And if foreign creditors declare the country in default, as they most surely will, then let that be on the House members' heads. They will have to do the explaining when importation of capital goods grinds to a halt, or when exporters find proceeds of their foreign sales seized by the country's foreign creditors.

The House members also surely know President Aquino will definitely veto Section 62 when the appropriations bill is presented for her signature. Last year, Mrs Aquino did not hesitate to veto a section in the budget prohibiting her from transferring funds among the various agencies. The fund-juggling prohibition, while it might be interpreted as an attempt to emasculate the presidency, is of comparatively little impact than this underhanded House try at debt repudiation. Unlike the debt cap, moreover, the provision against fund-juggling at least was germane.

The House probably is again playing the game of "who's to blame." It knows the propaganda value of debt repudiation. Better to blame the bloodsucking leeches that are the foreign creditors for the current crisis than admitting mismanagement of the economy by the incompetents in power, the members of the legislature included. Dollars kept from being used to pay debts is money in hand; foreign loans and investments are yet to come. These are the populist positions that attract votes. Let somebody else take care of crafting an economic program founded on realistic expectations.

For some time now, the House has been pretty adept at this game. During budget deliberations, it opposes spending cuts because of possible deterioration in public services. When it is time to look for money with which to finance spending programs, it opposes imposition of new revenue measures because they will further burden the taxpayers. Both are the politically safe positions to take. Straddling the two contradictory positions is of course an impossibility. But perhaps House members know a way of spending more at the same income level while cutting off access to credit which is the only thing keeping us a step ahead of bankruptcy proceedings. More probably the politicians don't have any magic formula either. But they probably think that as long as they can keep the entertainment going, their jobs are safe, they can run for reelection without working up a sweat, and, who knows, even take a giant step toward higher office. Elections are due 14 months from now. No moment is too early to promise heaven and earth to the electorate. Politicians of all stripes have pulled the same stunt before; there is no reason why it would not work one more time.

Commodore Reiterates Coast Guard Not Abolished

HK1202050291 Manila MANILA BULLETIN in English 12 Feb 91 p 25

[Text] "The Philippine Coast Guard (PCG) has not been abolished nor transferred to the Philippine National Police. [PNP]"

Thus said Commodore Carlos L. Agustin, PCG commandant, in a speech before the Rotary Club of Intramuros at the Manila Hotel last Friday.

Agustin said that only one specific task in the Maritime Law Enforcement (MARLEN) functions of PCG has been transferred to PNP.

"And, even the crimes against persons and property found in the Revised Penal Code will continue to be the joint concern of PCG and PNP for at least 18 months during the transition period as so provided for under Republic Act 6975," he said.

Agustin was invited by the club headed by Jovito G. Tamayo to clarify the PCG functions in the wake of the enactment of the PNP law. The club is made up mostly of executives in the Philippine Ports Authority, Maritime Industry Authority, shipping and manning companies, and fishing industry.

THE PCG top man explained to the Rotary members the functions of the Coast Guard.

Agustin explained how the vessel traffic service established along the Corregidor sea lanes monitors the movement of ships and prevent reoccurrence of seajacking.

New Police Camp in Negros Occidental Inaugurated

HK1202050591 Manila MANILA BULLETIN in English 12 Feb 91 p 12

[Text] A new Philippine National Police (PNP) camp was inaugurated recently in Negros Occidental.

Major General Cesar P. Nazareno, PNP chief led police and local government officials in the inauguration ceremony for Camp Aniceto L. Lacson, the new headquarters of the 339th PNP company in Victorias town, situated on the national Highway, 34 kilometers north of Bacolod City.

In his keynote address, Nazareno paid tribute to the great war hero whose daring exploits during the Filipino-Spanish war eventually led to the liberation of Negros island from the Spanish colonizers.

The 339th PNP company headed by Capt. Rodolfo Sebastian has jurisdiction over the towns of Tailisay, E.B. Magalona, Victorias, and Manapla, and the city of Silay in the northern part of the province.

The camp was named in honor of the late war hero General Ancieto Ledesma Lacson, known in history as "The Great Bluffer" who led the Northern Negros Revolutionary Forces against the Spanish Brigada in the battle for the liberation of Negros on Nov. 5, 1898.

Also present during the inauguration ceremony were Negros Occidental Gov. Arsenio Lacson and Rep. Jose Carlos Lacson of the 3rd district of Negros, both great grand nephews of the late General Lacson; and other members of the Lacson family led by great grandson Edmund Lacson.

Thailand

Prime Minister Orders Assassination Probe

BK1302012591 Bangkok THE NATION in English 13 Feb 91 pp A1-A2

[By Sorayut Suthatsanachinda, Piyanat Siwalo, Pawarat Sakuntana]

[Excerpt] Premier Chatchai Chunhawan yesterday ordered the Interior Ministry to expedite the legal processing of the investigation into the assassination attempts on "high public" figures to prevent the case from dragging on any further.

Querying the failure of the case to be resolved after seven years, Chatchai also cautioned in yesterday's Cabinet meeting that details of the investigation could be used as a "political tool" if it is further prolonged.

At the same time the premier reacted angrily to a banner headline on the front page of a Thai-language newspaper yesterday which strongly suggested that he would sack Army Commader-in-Chief Gen Suchinda Khraprayun.

"This story is not true. There is no such order on the cards. The oversensational headline is causing a split between the army and the government and damaging political stability," he told the Cabinet before it began its formal agenda.

Chatchai instructed the Interior Ministry to warn the newspaper for its reporting of the assassination case and the story about Suchinda. But he added that the daily could not be penalized for sensational reporting because the government had already scrapped Decree 42, the draconian law which previously had been used to impose tight state control on newspapers.

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As Interior Minister Pol Gen Praman Adireksan was absent from the weekly Cabinet meeting, his deputy minister Sano Thianthong took up the premier's order to warn the daily.

The premeir said he regarded the newspaper's glaring headline on Gen Suchinda as creating disunity between the government and the military and threatening national security, he said.

The words that have particularly upset Chatchai, "Gen Suchinda Sacked?", were spread across the top of the front page of the newspaper. A second line of the heading claimed: "Suchinda: I Have Heard Of It".

The army chief told reproters on Monday he had no knowledge of any rumour that he was to be sacked, but remarked that it he was removed because of a question of "suitability", then "that would be fine by me".

Chatchai instructed the Interior Ministry to find out why the assassination attempts case had been held unresolved after seven years.

"It's a serious criminal case. Why have the authorities failed to act, and why have they been (investigating the case) intermittently for more than seven years now.

"With the case still unresolved, it can be used as a political tool. The Interior Ministry should take a look at why, and find those responsible for the delay," the premier was quoted as telling the Cabinet.

The assassination attempts reportedly occurred in 1982 with former premier Gen Prem Tinsulanon, former supreme commander Gen Athit Kamlang-ek and a "public figure in high places" as the targets. A joint policemilitary investigation team later discovered the plot and began legal proceedings against the suspects in 1984.

For reasons that are still unclear, however, the authorities suspended furthering the legal process against the suspects, who allegedly include a senior army official close to the premier.

Sano also told reporters he had informed Interior Ministry Permanent Secretary Anan Anantakun of the premier's order for the legal process to be brought to a conclusion.

In Udon Thani, opposition Muanchon leader Pol Capt Chaloem Yubamrung claimed that five witnesses in the assassination attempts case had approached him and told him that they were ready to divulge the true story in public. The five, whom he did not identify, told him that they had testified during the investigation into the case in 1984.

"They said they would be ready to have their testimonies tape- recorded and sign transcripts of their versions," said Chaloem, a former police officer who is hitting the campaign trail nationwide in preparation for a possible snap general election.

Chaloem said he was to meet the five last night.

The former minister in the Chatchai I Cabinet said the five witnesses were only concerned that they would be given protection. Chaloem said he assured them that they would be safe and sound in his residence if they wanted to stay there.

"When the mystery surrounding the case has been solved, the authorities must take legal action against all involved in such a plot, whoever they are. But if the suspects are being slandered, the mudslinging should come to a halt, to be fair to all," he said. [passage omitted]

Foreign Minister Leaves for ASEAN Nations Visit

BK1302070691 Bangkok Domestic Service in Thai 0530 GMT 13 Feb 91

[Text] Foreign Minister Athit Urairat left the Bangkok International Airport at 0840 today for a visit to Brunei, the Philippines, and Indonesia, having already visited the other two ASEAN countries of Singapore and Malaysia.

Speaking to correspondents before departure, the foreign minister said being the new Thai foreign minister, the purpose of this visit is traditional to acquaint himself with officials of those countries. During the visit, he will discuss bilateral relations and cooperation and issues of mutual interest, such as the Cambodian and the Middle East issues. On the Cambodian problem, he will discuss the prime minister's consultations with various Cambodian factions on the convening of a meeting of all four factions, as well as Thailand's economic assistance to and renovations in Cambodia after cessation of hostilities. On organization of the meeting of the four Cambodian factions, which is of a political nature, the foreign minister said that this is the duty of the cochairmen of the Paris International Conference on Cambodia.

The foreign minister also said he will thank the Brunei Government for its supply of oil to Thailand as requested.

Minister on U.S. Pharmaceutical Patent Protection

BK1302021191 Bangkok BANGKOK POST in English 13 Feb 91 p 3

[Text] Thailand should not yet give patent protection to United States pharmaceutical products, Public Health Minister Piyanat Watcharapon said yesterday.

Mr Piyanat had been asked about a report that the Commerce Minstry would propose Thailand take such action because of heavy pressure from the US.

"Basically, I do not agree to acting on the US request," said the minister.

But Mr Piyanat said the Public Health Ministry had to listen to reason.

It has to assess whether inaction will affect Thailand's relations with other countries, he said.

"I cannot yet give a definite answer. There are many factors to be taken for considereation. It is too soon to say anything definite," he said.

Asked to what extent Thailand relies on foreign drug formulae at the moment, Mr Piyanat said he did not have enough information to give a reply.

Asked if the production cost of Thai pharmaceutical products would be higher if Thailand gave patent protection for other countries, Mr Piyanat said the matter needed study.

The Commerce Ministry has not yet contacted the Public Health Ministry about this matter, he added.

Meanwhile, Commerce Minister Amaret Sila-on said Thailand would have to take into consideration US action on this matter.

Other ministries need to be consulted before any decision is made, he said.

Editorial Reviews 'Problems' of Democrats, SAP

BK1202010391 Bangkok BANGKOK POST in English 12 Feb 91 p 4

[Editorial: "The electorate deserves better"]

[Text] Recent problems that have erupted in the two main Opposition parties, the Democrats and Social Action Party [SAP], do not augur well for the future of the Thai political system. The last-minute contest in the election of the Democrat Party leadership last month brought to the open a long-simmering conflict between the various regional factions of this oldest political party. Although Trang MP [member of parliament] Chuan Likphai was finally chosen as the new party leader, political analysts were concerned that internal differences, particularly between the Chuan-led southern faction and another powerful faction under the wing of Udon Thani MP Prachuap Chaiyasan, would continue to fester.

More serious than the rift within the Democrat Party is the open conflict in SAP where one large faction allied with deputy party leader and former deputy prime minister Phong Sarasin has indicated its intention to quit and form a new party when an opportunity arises. According to SAP insiders, this faction—which comprises several prominent figures such as former foreign minister Subin Pinkhayan and one-time commerce minister Surat Osathanukhro—has decided to call it a day after futile efforts to oust the controversial party secretary general Montri Phongphanit.

The unfortunate aspect of the negative developments afflicting these two parties lies in the root cause of the problem which stems from differences of personality rather than over substantive policy issues. In the case of SAP, party dissidents were said to be fed up with the controversial conduct of Mr Montri during his official tenure in the previous coalition government and now regard him as a stumbling block to the party's future progress. After failing to oust him from his influential position of party secretary general, the dissidents reportedly opted to break away.

Though personality differences and factionalism are not unusual in political parties the world over, the problem seems to be particularly endemic in Thailand where the interests of rival factional leaders go no further than themselves or their like- minded peers. The preoccupation with vested interests forces to the sidelines more significant matters, such as attaining proclaimed party policies, promoting party organs and garnering grassroots support.

At one stage during the early days of the SAP in the mid-1970s, the party won extensive popularity in the countryside with its Ngoen Phan (Tambon council development funds) programme. Though usage of the funds was subject to widespread abuse and leakage, the programme marked a significant start in the much-needed reforms to decentralise administration and channel more government budgetary resources into rural development. It is unfortunate that after a long process of trials and tribulations, much of the party's achievement in the early days has come to naught and SAP now appears to be on the brink of breaking apart.

That the internal problems of SAP and the Democrat Party undermines the overall muscle of the Opposition bloc and translates into a political boon for the government offers no cause for comfort. How much more time must the Thai political system waste going through the vicious cycle of internecine party rifts resulting in breakaway factions setting up splinter parties?

The current generation of leadership in all parties, be they pro-government or opposition, must discard their preoccupation with immediate or short-term gains and concentrate on building their future strength through expanding their party organs and developing grassroot support. Unless they seriously start doing so, the pattern in the next general election, as and when it comes, will fall into the familiar despicable rut of vote-buying and corruption. That would run the risk of stretching the electorate's patience too far.

Cabinet Gives Assent To Build 'Controversial' Dam

BK1302013591 Bangkok BANGKOK POST in English 13 Feb 91 p 3

[Text] The Cabinet yesterday gave the green light to the Electricity Generating Authority of Thailand (EGAT) to build the controversial Pak Mun dam in Ubon Ratchathani.

The dam scheme has enraged conservationists in its short, but stormy history.

Cabinet approval of the project confirmed an earlier ruling on May 15 last year allowing EGAT to build the multipurpose dam at a cost of about 3,880 million baht. The dam is capable of generating 136 megawatts of electricity to supplement the power needs of the northeastern region.

A 125-rai plot of land in a national park will be allocated for the site of the dam in Khong Chiam District.

EGAT's plan to build the Pak Sun dam has been stalled since 1989 when villagers and conservation-conscious students voiced opposition against the project.

They claimed the dam would damage the environment and cause loss of natural rcesources, particularly the Kaeng Tana and Kaeng Saupe islets which are two of Ubon's main tourist attractions.

Several protests and counter-protests were held during the past two years.

In April last year, opponents of the dam gathered in front of Chitrlada Palace to petition His Majesty the King.

Vietnam

French Agreement on Customs Cooperation Signed

BK1202152091 Hanoi VNA in English 1500 GMT 12 Feb 91

[Text] Hanoi VNA Feb. 12—Vietnam and France have signed a document on customs cooperation, particularly in personnel training and technical equipment assistance, during a recent official visit to France by Truong Quang Dam, head of the Vietnam General Department of Customs.

Earlier, Truong Quang Dam attended the 8th meeting of heads of the general department of customs of French-speaking countries held in Dugla, Cameroon, in late January.

Activated Charcoal Donated to Chernobyl Victims

BK1302075591 Hanoi Domestic Service in Vietnamese 1100 GMT 11 Feb 91

[Text] On 11 February, the Vietnam-USSR Friendship Association, the State Science and Technology Commission, the NHAN DAN newspaper, the Hanoi University's activated charcoal center, and the Van Diem sugar factory held a ceremony to present seven tonnes of activated charcoal to the Soviet people to help them overcome the consequences of the Chernobyl accident.

Attending the function on the Vietnamese side were Dang Huu, head of the State Science and Technology Commission and chairman of the Vietnam-USSR Friendship Association, and representatives of scientific research organizations and establishments engaged in the production of activated charcoal from coconut shells. On the Soviet side were Soviet Ambassador to Vietnam Khamidulin and cadres from the Soviet Embassy and the Soviet airline company Aeroflot which will ship the donated activated charcoal to the Soviet Union.

In his speech, Soviet Ambassador Khamidulin expressed his sincere thanks to the Vietnamese people for their sympathy to the Chernobyl victims. He asserted the consistent development of the unbreakable friendship between the Soviet Union and Vietnam.

Joint Venture With Britain on Lubricant Oil

BK1202153691 Hanoi VNA in English 1503 GMT 12 Feb 91

[Text] Hanoi VNA Feb. 12—Saigon Petro and the Castro Limited of Britain have signed a contract to build a lubricant oil factory in Cat Lai, the suburban district of Thu Duc.

Under the contract, the British partner contributed 60 percent and the Saigon Petro 40 percent of the investment capital to the joint venture named Castrol Vietnam Ltd. The plant has its first capacity of 25,000 tons of lubricant oil a year, meeting 25 percent of the home demand. The plant will market in November a number of lubricant oil of different kinds.

Castrol is a lubricant oil company known over the world for its high quality products. It has established agents in Vietnam to provide lubricant oil for ships, cars and motorbikes and industrial lubricant oil.

Do Muoi Sends Afghanistan Message of Sympathy

BK1202160891 Hanoi VNA in English 1502 GMT 12 Feb 91

[Text] Hanoi VNA Feb. 12—Chairman of the Council of Ministers Do Muoi today expressed deep sympathy to his Afghan counterpart over the human and material losses caused to the Afghan people by a recent earthquake.

Commentary Sees SRV Improving World Relations

BK1302093991 Hanoi International Service in English 1000 GMT 12 Feb 91

[Text] When a working and friendship visit to Vietnam had been made in recent time, worthy of note is the visit to Vietnam by Indonesian President Suharto which marked the new step forward in the development of the friendly relation and cooperation between the two countries.

In early February, Indonesian Foreign Minister Ali Alatas had a working visit to Vietnam. Meanwhile, the economic delegation led by Mr. Kon Thappharangsi, minister of the Prime Minister's Office, arrived in Vietnam to discuss measures to be taken to expand cooperation in some economic fields between Thailand and Vietnam.

Many Japanese economic delegation and businessmen including the delegation of chairmen of small and medium size companies also visited to Vietnam to study possibilities to cooperate with Vietnam in the future.

At present many Japanese firms and companies have set up their offices in Hanoi and Ho Chi Minh City. The gross turnover between Vietnam and Japan has been on the rise from $300 million in 1988 to $800 million in 1990.

In return, many Vietnamese delegations visited Asian countries. Early this year, Vice Chairman of the Council of Ministers Vo Nguyen Giap made a visit to India to attend the celebration of the centenary of President Ho Chi Minh's birth which was organized in this country from 19 May 1990 to 19 May 1991.

In Calcutta, India the seminar entitled "Ho Chi Minh, Vietnam, and world peace" was held at the present of General Vo Nguyen Giap.

Other diplomatic developments include the visit to Indonesia by Vice Chairman of the Council of Minister Tran Duc Luong and the National Assembly delegation led by Chairman Le Quang Dao and visit to Malaysia by Vice Chairman of the Council of Ministers Vo Van Kiet. During the visit, Malaysia promised to help Vietnam develop financial services and building industry. Those developments serve to contribute to further strengthening and developing the ties between Vietnam and many Asian countries.

Having undergone many years of war more than anyone else the Vietnamese people earnestly cherish peace and friendship. Vietnam is striving to expand its cooperation in many fields including its external economic relations with all countries especially those in Asia Pacific region disregarding social and political system on the basis of equality and mutual benefit.

Realities have shown that despite difficulties, fine prospects for [words indistinct] in cooperation and relationship between Vietnam and many Asian countries. This will benefit not only those countries involved but peace and stability in the region.

General Interviewed on New Logistics Method

BK1202154191 Hanoi Domestic Service in Vietnamese 1400 GMT 11 Feb 91

[Interview with Lieutenant General Nguyen Trong Xuyen, member of the Party Central Committee, vice minister of national defense, and head of the General Logistics Department, by unidentified reporter on the issue of "improving the troops' welfare"; date, place not given—recorded]

[Summary] [Reporter] "Comrade: Last year our entire Armed Forces officially began adopting a new logistics maintenance method. Can you tell us how it is working?"

[General] "Last year our entire armed forces started adopting a new logistics maintenance method in compliance with Decision No.57- QP of the Ministry of National Defense. This new method has been useful and has been welcomed by troops. It has proved to be correct" because of the following:

(1) It is "compatible with the new economic management system—the market system under state control that advocates eradicating bureaucracy and state subsidies and promoting a multi-sectoral economy";

(2) Unit commanders have taken the initiative in organizing and ensuring troops' lives. Grain and food supply has become better qualitatively and more diverse quantitatively.

(3) It helps "substantially reduce the quantities of goods to be transported from strategic and tactical commands down to relevant units"; and

(4) "By enforcing this new method, we have been able to uphold the responsibility of unit commanders and those in charge of logistics and finance over the use of funds for feeding troops."

It is because of the adoption of this new method that "troops' welfare has been better cared for and that cadres and combatants have more actively engaged in self-sufficient farm production, thus preventing major upheavals in troops' lives." It can be said that for "any unit which has its cadres and combatants participate in logistics work and actively carry out self-suffient farm production, the lives of its personnel will be stable and improved." While on the other hand, any unit which fails to do this satisfactorily will continue to face a harsh life.

[Reporter] Besides the strong points stated above, does the new logistics maintenance method have any weaknesses?

[General] "It can be said that the new method is quite different from the old one and there has been no model to pattern this method after. After one year of implementation, it still displays numerous shortcomings and weaknesses. This is partly because of our economic imbalance and instability as well as of constant price fluctuations. If price subsidies are not carried out in a timely manner or adequately, it will be impossible to ensure the food supply quota for troops. On the other hand, there are units which, because of their failure to understand the need to renovate the logistics method, have paid less attention to carrying out self-sufficient farm production. They have been unable to ensure the stability and steadiness of supply because they do not know how to estimate the amounts of supply to be provided by the localities covered by the state. Therefore, they have become confused when there is a price fluctuation. Material and financial supply maintenance, if not closely and constantly supervised and controlled, will easily spawn negative phenomena. Another important thing is that some units have, at certain times, not received adequate and timely financial allocations while their production output is poor. This has affected the lives of their troops. Briefly, the new method has proved its superiority over the old method but there are also some drawbacks to be ironed out. We need time to gradually perfect this new method with a determination not to return to the old one."

[Reporter] "As we know, 1991 is a year in which our economy will continue to face countless difficulties. Do you, comrades, have any measures for continuing to perfect the new logistics maintenance method?"

[General] "You are right. The year 1991 is full of difficulties and complicated developments. This requires the armed forces' logistics and financial sectors to strive to tide themselves over during these ordeals. In 1991 the logistics sector of the armed forces should, in close cooperation with the financial sector, strive to maintain and stabilize troops' living standards without allowing them to drop below the 1990 level." To achieve this aim, we should take the following general measures:

First, we should make cadres and combatants fully aware of those difficulties now confronting the country so they will "strive to unfailingly ensure adequate material supply for troops in accordance with quantitative standards."

Second, "we should thriftily use our self-acquired material bases while encouraging cadres and combatants to step up construction and production efforts to create more products in order to contribute to stabilizing the welfare of their units."

Third, we should promptly grasp the situation in order to solve difficulties and "should resolutely fight corruption and other negative phenomena."

Fourth, we should form a contingent of qualified logistics personnel to ensure good management of self-sufficient production.

Fifth, various units should strive to ensure food supplies for the armed forces. In addition, "it is necessary for the Council of Ministers to promptly institutionalize quantitative standards for food so as to ensure troops's livelihood" in accordance with amendments to the law on military service and the law on military officers. "Only when various sectors and localities create favorable conditions for the armed forces to secure the sources of supply, build material-technical bases, and carry out self-sufficient farm production can troops' livelihood be guaranteed."

"On this occasion, on behalf of the Ministry of National Defense, I would like to thank various ministries and sectors at the central level and local party committees and administrations as well as the multiethnic people nationwide for having given their wholehearted care to troops and for having created favorable conditions for them to fulfill their duties."

"We wish you, comrades, good health and a Happy New Year."

[Reporter] "Thank you, comrade."

Nguyen Khanh Attends Tet Function in Paris

BK1302095191 Hanoi Domestic Service in Vietnamese 1100 GMT 12 Feb 91

[Text] Almost 1,000 Vietnamese residents in Paris and its surrounding suburban areas attended a ceremony held at the Mutual Assistance Conference Hall in Paris on 9 February to welcome the Lunar New Year Festival. Attending the function, on the French side, were Comrade (Martin Cremave), member of the French Communist Party Political Bureau and head of the party foreign relations department; representatives of the French-Vietnamese Friendship Association; the Social Party; the French Foreign Ministry; many French business corporations; and the French Trade Union.

Also attending the function, on the Vietnamese side, were Nguyen Khanh, vice chairman of the Council of Ministers, who is on an official visit to France; Pham Binh, the Vietnamese ambassador to France; Mr. Huynh Trung Dong and Lam Ba Chau, respectively chairman and vice chairman of the Vietnamese residents association; and a large group of cadres from the Vietnamese Embassy and Vietnamese students in France.

On behalf of the Executive Committee of the Vietnamese residents association in France, Mr. Huynh Trung Dong conveyed best wishes for the new year from the association to those present at the function. He said that last year the association continued its activities under very difficult conditions and that preparations are being made for its upcoming Sixth Congress in the spirit of enhancing patriotism, strengthening unity, contributing to building the fatherland, and promoting relations between the Vietnamese community in France and the Vietnamese state and people at home, thereby helping to develop the friendly relations between Vietnam and France and consolidate the relationship between the association and the French authorities.

The function concluded with a variety show performed by youth and children of the Vietnamese community in France.

New Year Meeting With Diplomats; Health Issues

BK1202154291 Hanoi VNA in English 1505 GMT 12 Feb 91

[Text] Hanoi VNA Feb. 12—Minister of Public Health Prof. Pham Song met in Hanoi today with the representatives of foreign embassies, international organizations including WHO, UNICEF, UNFPA, WFP, UNDP, FAO governmental and nongovernmental organization which have cooperative relations with Vietnam's public health service.

The meeting was occasioned by Vietnam's Traditional Lunar New Year.

Speaking to the guests, Pham Song thanked foreign embassies and international organizations for their effective assistance to and cooperation with Vietnam, particularly in the population and family planning, enlarged vaccination, anti-malaria and anti-malnutrition for children programmes. He also expressed his hope for more assistance and cooperation.

Vo Chi Cong Pays Tet Visits to Public Offices

BK1302100991 Hanoi Domestic Service in Vietnamese 2300 GMT 12 Feb 91

[Text] On the afternoon of 12 February 1991, Council of State Chairman Vo Chi Cong paid a Tet-greeting visit to those comrades of the Council of State, the chairman and vice chairman of the National Assembly, the head and deputy head of various standing committees of the National Assembly, and all other cadres and personnel of the Office of the National Assembly and the Council of State.

This cordial function was also attended by representatives of the office of the party Central Committee, the office of the Council of Ministers, the Supreme People's Court, and Supreme People's Organ of Control, the Ministry of Interior, the Ministry of Justice, the Hanoi Municipal People's Council and People's Committee, and various related organs.

General Vo Nguyen Giap Visits Voice of Vietnam

BK1302095591 Hanoi Domestic Service in Vietnamese 1100 GMT 12 Feb 91

[Text] General Vo Nguyen Giap, vice chairman of the Council of Ministers, on 12 February visited the Voice of Vietnam radio station on the occasion of the lunar new year. On hand to welcome the general were comrades of the editorial staff, editors, correspondents, announcers, and technicians of the station.

General Vo Nguyen Giap expressed his pleasure at seeing the technical progress made by the Voice of Vietnam and commended the station for its efforts to implement the party renovation cause. The general gave some advice to the station editors and correspondents to help them improve broadcasting programs. He also conveyed new year greetings to all cadres, workers, and personnel of the station.

On the same occasion, the general briefed cadres and personnel of the station on the results of the recent international seminar on President Ho Chi Minh and world peace as well as other activities held in India to mark Uncle Ho's birth centenary which he had the honor to attend on behalf of the party and state. General Vo Nguyen Giap also recalled the deep sentiment and warm friendship shown by the Indian people toward Uncle Ho and the Vietnamese people and the achievements scored by the Indian people in the socioeconomic, cultural, and scientific and technological domains.

Comrade Mai Thuc Long, deputy editor-in-chief, on behalf of cadres, workers, and personnel of the Voice of Vietnam, thanked General Vo Nguyen Giap for his visit and pledged that the station will strive to implement his advice so as to consistently improve the broadcasting programs and effectively implement the party renovation cause. He wished the general good health and ever greater achievements, thereby contributing more actively to the nation's renovation cause.

Nguyen Van Linh Attends New Year Get-Together

BK1302100791 Hanoi Domestic Service in Vietnamese 2300 GMT 12 Feb 91

[Text] On the occasion of the lunar new year, the year of the goat, Vietnamese party and state leaders have attended various cordial Tet-greeting get-togethers in Ho Chi Minh City.

Comrade General Secretary Nguyen Van Linh attended a Tet-celebrating get-together with over 200 retired veteran revolutionaries, which was held by the Ho Chi Minh City party committee on the morning of 9 February.

Amid a warm atmosphere of spring days filled with the closeness of the generation of people who have faithfully fought shoulder to shoulder in the decades-long revolutionary struggle, the comrade general secretary compassionately inquired about the health of those present and wished them a jubilant and happy new year.

The comrade urged the veteran cadres, depending on their health, to continue to make contributions to the party in the struggle for protecting socialism and firmly upholding the Marxist-Leninist and Ho Chi Minh banners.

On the same afternoon, the comrade general secretary attended a get-together with the cadres of various branches, sectors, and mass organizations of the city. This get-together was sponsored by the city party committee, the People's Committee, and the Fatherland Front Committee.

New Year Get-Together for Hoa People Held in Hanoi

BK1102141191 Hanoi Domestic Service in Vietnamese 0500 GMT 9 Feb 91

[Text] On 8 February, the Mass Motivation Department of the party Central Committee held a get-together of representatives of the Hoa people in Hanoi on the occasion of Tet of the Year of the Goat.

On behalf of the Hoa People Action Subcommittee, Nguyen Tien Phong, deputy director of the department, wished the Hoa people the best of health, happiness, and prosperity in the new year. He clearly pointed out that the Resolution of the Eighth Plenum of the party Central Committee on renovating the party's mass motivation work and on strengthening the relations between the party and the masses reflected the will and aspiration of the people. This cause of renovation must really be one of the people, by the people, and for the people. The recent Asian Games in Beijing, with the presence of General Vo Nguyen Giap as a guest of honor on the podium, marked a new stage in the relations between Vietnam and China. It is hoped that Sino-Vietnamese relations will further improve with each passing day.

The Hoa people's representatives present at the get-together related some moving stories of the Hoa people's sentiments for President Ho Chi Minh, of the local authorities' assistance to the Hoa people, and of the Hoa people's contributions to local socioeconomic development.

Nguyen Van Linh Visited Dong Nai Province

BK0902074991 Hanoi Domestic Service in Vietnamese 2300 GMT 8 Feb 91

[Text] Comrade General Secretary Nguyen Van Linh paid a working visit to Dong Nai Province on 6 and 7 February 1991. He devoted one whole day to work with the provincial party organization committee.

With great elation, Comrade Pham Van Hung, party Central Committee member and secretary of the provincial party committee, and other comrades in the party organization briefed the general secretary on socioeconomic changes in the province.

The general secretary also visited the Tan Mai timber factory, the Nam Bo cotton enterprise, and the Dong Nai cigarette corporation. More than 300 key cadres and many old cadres of the province met to warmly welcome the general secretary. He praised the party organization and people of Dong Nai Province for their efforts to implement the Sixth Party Congress resolution in the past four years or more, especially last year, to overcome the outstanding problems affecting internal solidarity, and to stabilize the socioeconomic situation.

He clearly pointed out the rich agricultural potential of Dong Nai, particularly those export-serving crops and its industries and sea and forest resources. At the same time, he urged the Dong Nai party organization to make all cadres, party members, and the masses clearly understand the renovation viewpoints of the party; severely punish speculators, smugglers, and grafters; continually consolidate party bases; and build internal solidarity in order to optimally exploit the provincial potentials and make worthy contributions to the common cause of the entire country.

He accepted the petitions of the province for further consideration by the Political Bureau and Secretariat and for functional agencies of the state to settle them as directed. Moreover, he also advised that Dong Nai Province should understand the common difficulties of the country and strive to develop the creativity of all the people and party organization members in order to overcome their own difficulties.

The comrade expected that each member of the Dong Nai party organization, from party chapter echelons to provincial leaders and even retired comrades, would always forge their viewpoints and stand, firmly maintain solidarity, and step up self-criticism and criticism in a constructive spirit in order to enhance the ability and leadership of the party.

On the occasion of the Lunar New Year of the Goat, the comrade general secretary expressed the hope that all the cadres, party members, and people in the province will enjoy good health and remain united and singleminded in order to vigorously advance Dong Nai Province on the renovation path.

CPV Gratitude for Founding Day Greetings

BK1202063091 Hanoi Domestic Service in Vietnamese 2300 GMT 11 Feb 91

["Expression of Gratitude" issued by the Central Committee of the Communist Party of Vietnam, CPV; date not given]

[Text] On the commemoration of the 61st anniversary of the founding of the CPV, the CPV Central Committee received many messages and greetings from communist and workers' parties, international organizations, party representatives, and embassies in Hanoi. We sincerely appreciated that.

'Southeast Asian Research' Magazine Published

BK1202071491 Hanoi Domestic Service in Vietnamese 1430 GMT 11 Feb 91

[Text] On the morning of 1 February in Hanoi, the South East Asia Institute of the Vietnam Scientific and Social Institute held a press conference to introduce the SOUTHEAST ASIAN RESEARCH magazine. Many local and foreign journalists, embassadors, and cultural attaches of many embassies in Vietnam attended the function.

Professor Pham Duc Xuong, head of the institute and editor in chief of the magazine informed that the institute has had more and more research subjects on South East Asia and the cooperation between Vietnam and the countries in this area has been widening.

In contributing to inform the necessary news relating to the South East Asian countries and to meet many readers' request, the institute is allowed to publish the SOUTHEAST ASIAN RESEARCH magazine. The first issued will be published on the first day of the Year of the Goat.

Australia

Annual Inflation Rate Leaps to 6.9 Percent

BK1302102191 Hong Kong AFP in English 0303 GMT 13 Feb 91

[Text] Sydney, Feb 13 (AFP)—Oil price rises in the fourth quarter boosted Australia's annual inflation rate to 6.9 per cent in 1990, far higher than financial markets and the government expected, official figures showed on Wednesday. The Bureau of Statistics said the Consumer Price Index (CPI) increased 2.7 per cent during the December quarter compared to 0.7 per cent in the September quarter.

This took the annual rate from 6.0 per cent in the 12 months to September 30 to 6.9 per cent. The quarterly result compared with a 1.9 per cent increase in the three months to December 31, 1989.

"Higher petrol prices (up 20.8 per cent) had a substantial impact on the CPI this quarter," the bureau said.

"Increases in charges for hospital and medical services (up 8.8 per cent), higher prices for overseas and domestic travel and accommodation (up 8.5 per cent) also made significant contributions," it said.

The result exceeded market expectations of between 1.6 per cent to 2.3 per cent for the quarter because they had expected petrol price rises of about 10 per cent to be nullified to some extent by falling interest rates and housing prices. The inflation figure boosted the Australian dollar as expectations of an early easing in interest rates faded.

The dollar jumped from 78.15 U.S. cents to a high of 78.38 U.S. cents in the half hour after the release compared to Tuesday's close of 78.10 U.S. cents.

Ninety-day bank bills rose from 11.42 per cent to 11.53 per cent, while the Australian sharemarket, which Tuesday ended at a more than four month high of 1384.9, ended the morning session down 3.6 points at 1381.2.

Recent falls in petrol prices and Australia's recession had prompted predictions from economists that the annual inflation rate could fall as low as four per cent later this year.

Reserve Bank Governor Bernie Fraser recently predicted inflation of about five per cent in 1991.

Prime Minister Bob Hawke was reported to have told his labor caucus that inflation was the government's top priority in its bid to lock in permanent gains from the pain of recession.

The bureau said lower increases in housing costs (up 0.8 per cent) and food prices (0.9 per cent) again exerted a moderating influence on the CPI.

New Zealand

France Lifts Visa Requirement for Closer Ties

BK1302033291 Hong Kong AFP in English 0221 GMT 13 Feb 91

[Text] Wellington, Feb 13 (AFP)—New Zealanders visiting France for three months or less will no longer require visas, the French Embassy announced here Wednesday.

In a statement, it said the move was designed to bring the two countries closer together.

The announcement was to have been made personally by French Prime Minister Michel Rocard, but he was forced to postpone a planned visit to New Zealand last month because of the Gulf war, the statement said.

French nuclear testing at Mururoa atoll and the bombing by French secret agents of the Greenpeace ship Rainbow Warrior in Auckland in 1985 have strained New Zealand-French relations.

The embassy said visa-free entry for three months or less would apply for France proper and some of its overseas possessions—Martinique, Guadeloupe, Reunion and French Guiana.

In the case of New Caledonia, French Polynesia, Wallis and Futuna and Mayotte, New Zealand citizens will be allowed to enter and remain for up to one month without a visa.

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expressed the frustration of many in his party when he said, "If the LDP considers the Komeito to be important, why is it towing the DSP party line?" The LDP will have no choice but to follow the rules of any LDP-Komeito-DSP alliance concerning the enactment of electoral system reforms.

LDP's Watanabe Criticizes Nation's Policies

OW1701205491 Tokyo THE DAILY YOMIURI in English 16 Jan 91 p 3—FOR OFFICIAL USE ONLY

[From SHUKAN (WEEKLY) YOMIURI]

[Text] Japanese suffer from "peace lethargy," and unless Japan takes a more active role in the global community it will end up becoming an "orphan," leading Liberal Democratic Party [LDP] politician Michio Watanabe warned in a recent interview with Shukan Yomiuri.

In the interview, conducted by newscaster Yoshiko Sakurai, Watanabe, leader of the LDP faction previously headed by former Prime Minister Yasuhiro Nakasone, gave his prescription for the policies the nation should follow in 1991.

Watanabe has been noted for his outspokenness, although he has toned down his comments somewhat as he has crept closer to the prime ministership. He stressed that one of the primary responsibilities of Japanese politicians was to explain to the people "why Japan must fulfill its international responsibilities," in order to gain understanding and cooperation in implementing necessary policies.

He blamed the lack of international awareness among the Japanese on the recent rumpus over the proposed Peace Cooperation Bill.

"The Japanese people don't want to shed their own blood or have to sweat themselves—let's have foreigners do it—that's the way they think," he said, adding that this kind of passiveness, a lethargy derived from a long period of peace, could lead to Japan becoming internationally isolated.

Watanabe brushed off the suggestion that he may succeed Prime Minister Toshiki Kaifu as prime minister, but countered Sakurai's observation that he had been criticized as being weak on diplomacy with the comment, "People make that kind of remark based on whether you have been foreign minister or not."

He then pointed out that, while he has not been foreign minister, he has had diplomatic experience in such posts as finance minister and agriculture, forestry and fisheries minister.

Watanabe expressed great admiration for former British Prime Minister Margaret Thatcher.

"Because she had very clear principals and rules, in that sense I like her better than Reagan," he said.

He said that he was in favor of political leadership that might go against popular trends but which will later make people say, "I see."

"I don't think a patient needs a doctor who simply does, what he's told. I sometimes hear people say, 'so you're the kind of person who doesn't heed the opinion of the people.' But that's not it. What I tell them is that I receive money from the people because they are delegating to me the task of professional politician. And you know there are times even if the patients isn't willing that surgery or a certain drug is necessary—the doctor must persuade him that it's right."

He also spoke out in favor of the prime minister concentrating on getting one job done, rather than staying in office for a long time and trying to do many things.

"This can be done to a certain degree if you make up your mind," he says, citing the examples of Prime Minister Zenko Suzuki laying the groundwork for cutting government expenditures in a package of administrative reform measures, which could then be completed during Nakasone's tenure.

"Although the subsequent Takeshita Cabinet was not in office long, it also did some fine work. It implemented the consumption tax, which not even Nakasone could do," Watanabe said. He also cited as another achievement of the Takeshita Cabinet the liberalization of restriction on the import of certain agricultural goods like milk, oranges, tomatoes and pineapples.

Watanabe also gave high marks to Kaifu's achievement of passing the Basic Land Law.

He avoided specific criticisms of Kaifu, saying that the present problems were "too large" for any prime minister to solve. In regard to the faction system, which has been criticized by many as the root cause of money politics, Watanabe said that it was a "thing of fate, impossible to change as long as the election system remains the way it is."

Given the reality of the faction system, Watanabe said that it was only natural that a prime minister who headed a large faction would be strong.

"As long as that is not the case, the prime minister must listen to a variety of opinions and provide leadership by integrating and synthesizing these diverse views. Otherwise it will be impossible to do business in the Diet."

Dodging the issue of whether he would lead in that fashion, Watanabe said, "It's a matter of whether the people will accept me or not at any given time." But he also added, "I want to lead us into a peaceful era, to promote continued prosperity and avoid inflation. For that, policies designed just to attract votes are not right."

Hamada Remarks on Secret Payments to Opposition

OW1002090291 Tokyo THE DAILY YOMIURI in English 9 Feb 91 p 3—FOR OFFICIAL USE ONLY

["Political Beat" column by Kojiro Shiraishi: "Hamada Reveals Dirty Secrets"]

[Text] Koichi Hamada, known as a "brawler" in Liberal Democratic Party [LDP] circles, created yet another controversy with a remark he made at the House of Representatives Budget Committee Monday.

He said that as many as 20 times a year, the LDP gives Shun Oide, chairman of the Socialist Party's Diet Administration Committee, separate 500,000 yen cash payments.

Oide angrily denied the remark as "totally groundless" and hinted he might bring charges against Hamada. But the controversy quieted the next day when, during a budget committee meeting, the LDP officially apologized to Oide for Hamada's "improper" comments.

The issue was thus settled in what is considered the conventional style of trouble shooting of Nagata-cho politics, that is hush up scandals and settle disputes amicably without ever inquiring into right and wrong.

What got buried in all the hulabaloo was whether Hamada's remark was true. It is one of politics least-well-kept secrets that the LDP has paid top opposition party politicians sizable sums of money to ensure their support to enact bills. However vigorous opposition party denials, it is practically fact that the ruling party channels money toward its opposition to smooth Diet business.

Hamada's remark broke the tacit gentleman's agreement that exists between donor and recipient to keep the money secret.

As a one-time member of the LDP's Diet Policy Committee, Hamada was acquainted with senior opposition party members. He may have delivered such money himself or perhaps he saw collegues do so. By revealing the payments, Hamada has made himself obnoxious to opposition parties. His tendency to heckle, during Diet sessions and committee meetings, threatens opposition members who fear he wil expose their dirty laundry.

Sakamoto on Domestic, Foreign Policy Issues

OW1601005491 Tokyo ASAHI SHIMBUN in Japanese 9 Jan 91 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Interview with Chief Cabinet Secretary Misoji Sakamoto by unidentified ASAHI SHIMBUN correspondent; date of interview not given]

[Text] [ASAHI SHIMBUN] There is a mountain of work—in domestic and foreign affairs—waiting for the Kaifu cabinet this year.

[Sakamoto] "Tensions in the Persian Gulf are heightening. Efforts for peaceful solution and Japan's contributive measures—all cannot wait. GATT's Uruguay Round of talks need to be finalized. President Gorbachev is coming to Japan, and there will be Japanese-Soviet talks to address major issues pending since the end of the war. This year will be a really important one."

"In domestic politics, we must tackle, with unyielding resolve, the task of political reform, which was the reason for the birth of the Kaifu cabinet. This year, there are many more difficult problems to solve than there were last year—the land issue is one of them. It is like sailing in the storm of stress. If we try to run away from storms, the ship (the cabinet) will capsize. We must have a firm resolve to face the storms head-on."

[ASAHI SHIMBUN] The prime minister's tenure as president of the Liberal Democratic Party [LDP] comes to an end at the end of October. Is he looking to the possibility of getting reelected?

[Sakamoto] "Is he thinking about getting reelected already? With such easygoing thinking, one could not survive politics. He must think about nothing but work throughout his tenure. The prime minister himself says 'I shall do my very best.' He really should stick to that spirit to the end."

[ASAHI SHIMBUN] There is strong criticism within the LDP that you, Mr. Sakamoto, a housekeeper for the prime minister, are not harmonizing well with him.

[Sakamoto] "That is not right. Such a view comes from prejudice based on presumption. When people run the government in these difficulties, they must not be influenced by such things as the personal character or disposition. In fact, that is not the case. He (the prime minister) and I are of the same mind as to what is important for the country. Indeed, we have no time to think about anything else. We must do all we can for the country together. That is the only thing I am thinking about. I have no foul or idle thoughts.

[ASAHI SHIMBUN] How do you intend to proceed with the work of preparing a new bill to take the place of the UN Peace Cooperation Bill which was scrapped last year.

[Sakamoto] "The starting point for the new bill is an agreement between the LDP, Komeito, and the Democratic Socialist Party [DSP] (reached at the last extraordinary session of the Diet.) The agreement of the three parties is the precondition. But, on the other hand, since this matter concerns Japan's first contributions to the world, we need to be prepared for the time when the Government is asked to take charge of drafting a good bill."

"The previous bill took only one month to prepare and was given another month for Diet deliberations. In drafting the new bill, the Foreign Ministry will become the task force. Taking a lesson from the experience of the past, the Office of the Prime Minister should use its coordinating power and the collective wisdom of all ministries and offices concerned. It should be processed in such a way that the bill can be regarded as the work of the whole cabinet. I would like to have the bill passed during the current session."

[ASAHI SHIMBUN] Speaking about political reform, there are persistent objections within the LDP, as well as the opposition parties to the idea of adopting an election system of small electoral districts combined with proportional representation. Is the Kaifu cabinet really serious in pursuing this—putting the fortune of the cabinet at stake?

[Sakamoto] A bill on election system reform is an important bill which can change the fate of both political parties and individual politicians in the future. It is necessary that we talk fully with all the parties in the Diet and thus obtain a concensus. If the parties agree, the bill can be introduced in the names of individual Diet members. But, if it becomes certain in the course of negotiations that the Government should present the bill, then it will do so. The Government, hence, should be prepared for such situation. It is desirable that the bill be presented to the Diet as soon as possible. I hope negotiations with the parties will start without delay.

[ASAHI SHIMBUN] Will it be impossible to make concessions on the question of the opening of rice market, in order to help the Uruguay Round talks be concluded successfully.

[Sakamoto] If the United States and the EC succeed in arriving at a compromise, it is possible that Japan will be forced to make a major political decision. In Japan, there are Diet resolutions (that rice should be completely locally supplied), and there is also government policy supporting it. We must make efforts to explain this at the Uruguay Round of the GATT talks and obtain understanding on it. There is no change in the basic position of the Government on this.

Views on Ozawa's Political Tactics With Komeito

OW0502130791 Tokyo THE DAILY YOMIURI in English 4 Feb 91 p 1—FOR OFFICIAL USE ONLY

["Political Pulse" column by Kenji Kitahara, YOMIURI SHIMBUN political editor: "Ozawa Plays Hardball With Komeito"]

[Text] Ichiro Ozawa's hard-line political tactics will be sorely tested as the Liberal Democratic Party [LDP] secretary general tries to win Komeito's support for the government's proposed $9 billion aid package to the multinational forces in the Persian Gulf.

Ozawa is in charge of clearing the thorny political obstacles facing the aid bill's passage in the Diet. So he has already resorted to his usual threats in consulting Komeito's Secretary General Yuichi Ichikawa, despite the fact that the two are close friends.

"The fate of the Kaifu cabinet and the ruling party is at stake," Ozawa told Ichikawa. "We have promised the world we will uphold our international responsibilities. If we fail to fulfill this pledge because of opposition in the Diet, we will be faced with a very serious problem."

In other words, Ozawa threatened Ichikawa with the resignation of Prime Minister Toshiki Kaifu and the transfer of power to the opposition, a threat intended to make Komeito and the other opposition parties think twice before opposing the bill. Ozawa is well aware of the opposition's reluctance to step into the LDP's political shoes.

Gaining Komeito's support is considered essential to avoid a repeat of last fall's political fiasco, wherein the government had to shelve its U.N. Peace Cooperation Bill.

This gives Komeito the pivotal vote when the Diet considers passage of a bill issuing government bonds to finance the aid package over this fiscal year and to pay for these bonds through a variety of tax hikes.

Komeito's vote is made even more essential by the fact that the principal opposition Social Democratic Party of Japan (formerly the Japan Socialist Party), has already pledged to kill the bill.

Ozawa has to be careful not to push too hard. Japan's international credibility is at stake in this issue.

In my opinion, Ozawa is likely to win Komeito's support if he concedes to the party's demand that defense spending be cut and that the aid bill be split into two bills: one issuing bonds and another raising taxes. This, many politicians say, would give the Diet more time to discuss which taxes should be raised.

MAINICHI: No Hope of SDP Government

OW0402135091 Tokyo MAINICHI DAILY NEWS in English 3 Feb 91 p 1—FOR OFFICIAL USE ONLY

[From MAINICHI SHIMBUN]

[Text] As the curtains closed Friday on the 56th convention of the Social Democratic Party of Japan (SDPJ), the nation's largest opposition party's slim hopes of forming a government sometime in the future rapidly slipped away.

The SDPJ, indeed, may once again have to resign itself to being a permanent opposition party.

Rather than charting a new course toward eventual rule, the convention served only to highlight the deep cleavages that have developed between the SDPJ (formerly known as the Japan Socialist Party), the other opposition parties, and the powerful Japanese Trade Union Confederation (Rengo).

Since last autumn, the SDPJ has squandered opportunities to cement ties with Komeito and the Democratic Socialist Party [DSP]. It has also allowed its relationship with Rengo, the largest umbrella organization for organized labor, to deteriorate, snuffing out the glimmering hopes that party members held of assuming the rein of the government.

With unified local elections, and next year's election for the House of Councillors looming on the horizon, the SDPJ will be forced to rethink its political strategy, according to political observers.

Recent electoral gains had brought about conditions which could have triggered the formation of a coalition government. The Socialists' stunning victory in the 1989 Upper House election gave the opposition parties a majority in this chamber of the Diet.

The opposition's performance in the Lower House election last year suggested that the Liberal-Democratic Party's lock on power was vulnerable.

But since then, the SDPJ has not been able to work together with the other opposition parties, and was forced to convene its 56th convention without having achieved progress in the interparty consultations on the formation of a coalition government.

In fact, during Diet sessions last year, the SDPJ found itself on opposite side of the aisle from Komeito and the DSP on such issues as the United Nations Peace Cooperation Bill and the consumption tax.

Such discord made it difficult to carry on direct talks on forming a coalition.

Consequently, Rengo was expected to serve as a mediator to reopen channels to these two parties, according to a SDPJ leader.

However, the party's relationship with Rengo had also been strained, and disagreements rose to the surface during the 56th convention. The party executive quarreled openly with unions affiliated with Rengo, including the Japan Postal Workers' Union.

Socialist Party Launches New Intraparty Group

OW2501011291 Tokyo JIJI in English 1344 GMT 24 Jan 91—FOR OFFICIAL USE ONLY

[Text] Tokyo, Jan. 24 (JIJI PRESS)—Forty-four lawmakers of the top opposition Japan Socialist Party (JSP) [Now the SDP—Social Democratic Party] Thursday launched an intraparty group advocating social democracy in a new era.

They adopted a prospectus at an inaugural meeting the same day, stating that the social democratic forum will strive to establish a pure social democracy within the JSP. It also set its ultimate goal as taking over power from the Liberal Democratic Party (LDP).

Takatoshi Fujita, presiding over the new JSP group, said that the forum will proceed with political activities in the fields of diplomacy, defense and political reforms to meet demands from the public.

Another five JSP lawmakers are scheduled to join the middle-of-the-road intraparty forum by next Wednesday, when a JSP national convention will start.

The forum will thus become the second largest faction after a conservative group within the opposition party.

YOMIURI Criticizes JSP 1991 Action Plan

OW1601100391 Tokyo THE DAILY YOMIURI in English 15 Jan 91 p 6—FOR OFFICIAL USE ONLY

[YOMIURI SHIMBUN 14 January editorial: "JSP: More of the Same"]

[Text] "Rotation of the ruling party is indispensable for a sound parliamentary democracy." So reads the Japan Socialist Party's [JSP—now the SDP—Social Democratic Party] final policy draft for the next fiscal year—to be submitted for approval at the national party convention starting in late January.

We agree. Nevertheless, the JSP, the largest opposition party, has only itself to blame for the Liberal Democratic Party's [LDP] monopoly on power. The party has lacked both the willingness and ability to assume power.

The party has advertised itself as ready and capable of replacing the LDP as the ruling party since its "New Declaration" in 1986. Again this year, the party will stress the need to change from a party of opposition to a party of leadership.

We applaud their sentiments. Nevertheless, the party's recent behavior makes us wonder whether the party is willing to take actions to match its rhetoric.

The JSP's stance on the revision of the consumption tax last December is a prime example. The party came out against revisions that the LDP and other opposition parties had agreed to, thereby blocking change and inviting harsh criticism from Komeito, the Democratic Socialist Party [DSP] and the Japanese Trade Union Confederation (Rengo).

This is only one example of how the party continues its policy of opposition for opposition's sake. It casts doubt as to whether the JSP can ever become a ruling party.

Back To Old Ways

This policy draft reverts to the strong opposition to the existence of the Self-Defense Forces [SDF] and the Japan-U.S. Security Treaty. At last year's party convention, the JSP softened its stance on these issues, perhaps a reflection of coalition government talks with Komeito and the DSP. During the year, JSP Secretary General Tsuruo Yamaguchi advocated virtual endorsement of the security arrangement and the party set up a special commission to shift its policy toward advocating the constitutionality of the SDF.

But this time, left-leaning members have prevailed, nullifying both the secretary's remark and the commission's effort.

Like last year, the draft still pledges to "sincerely explore conditions for resuming talks to form a coalition government among the opposition parties." Intraparty moves over the last year, however, leave us wondering if the party seriously expects to take over the helm of the government. Low-Key Foreign Policy [subhead]

A look at one of the early drafts prepared by the party's secretariat increases our doubts. The only nations cited by name in the draft were the Soviet Union and North Korea—besides the United States, which was referred to in relation to the security treaty.

After some JSP members attacked the draft, saying that it gave the impression that the JSP's foreign policy would center on the Soviet Union and North Korea, the final draft was made more inclusive.

With such an approach to foreign policy, the party cannot possibly expect to take power in a time when the international structure is in constant flux.

The JSP appears unable to reject its Marxist-Leninist past, even though some young members have suggested innovative policies that break away from the JSP's previous line. Unfortunately, senior members seem to be trying to subdue these younger members, a situation that is intolerable.

The JSP must change radically if Japan can ever hope for a rotation of political power—the healthiest state for a parliamentary democracy. We hope the JSP will seriously strive to turn over a new leaf.

Editorial Views Changes in Local Politics

OW1002013691 Tokyo THE JAPAN TIMES in English 9 Feb 91 p 22—FOR OFFICIAL USE ONLY

[Editorial: "Changing Patterns of Local Politics"]

[Text] Political moves concerning local elections, both those already held and many more scheduled in April, are compounded, reflecting partly the changed configuration of strength in the national parliament. But one thing is clear: The political controversy over the nation's contribution to the war efforts in the Persian Gulf is proving to be a less important factor in domestic politics than generally expected although it still is an element not to be ignored.

This can be said typically of the political developments in the governing Liberal-Democratic Party [LDP] over the selection of its candidate in the coming gubernatorial contest in Tokyo where the LDP has managed—jointly with Komeito and the Democratic Socialist Party [DSP]—to secure Mr. Hisanori Isomura, an NHK news executive, as its official candidate. It is a baffling situation for the uninformed public. For the LDP, together with Komeito and the DSP, has been firmly behind the metropolitan administration of Gov. Shunichi Suzuki, who seems to have made no blunders during his past 12 years in office.

Supported by the Tokyo chapter of the LDP, Mr. Suzuki already had declared his determination to seek a fourth term before Mr. Isomura accepted on Thursday the formal request from the three parties to run as their joint candidate. In one sense, this can be regarded as a rebellion by the LDP local chapter in Tokyo. In another, it may be taken as representing the LDP headquarters' weakening control over its local organization. The facts appear not to be so simple, however.

Apparently, Mr. Suzuki's 12 years as Tokyo governor have produced, even among his supporters, an increasing number of people who assume an attitude of ambivalence in their assessment of his administration. The construction of the palatial new Metropolitan Government buildings in Shinjuku and his failure to check the steadily deteriorating living environment in the metropolis in particlar have been drawing critical responses from among Tokyo citizens. These and other considerations, including Mr. Suzuki's age—he now is 80 years old—must have counted importantly to some extent when LDP executives, particularly Secretary General Ichiro Ozawa, had to decide whether or not to support Mr. Suzuki again.

This was not the decisive factor, however. Almost all political pundits believe that Komeito's move to depart from the alliance with the LDP and the DSP as the governing group in the Metropolitan Government has prompted Mr. Ozawa to discard Mr. Suzuki and find someone else to support jointly with Komeito. Behind his decision to ride in the same boat with Komeito in the metropolitan election is his basic strategy of trying to extend this local alliance to national politics.

With the opposition parties holding the majority in the upper house, the LDP absolutely needs the support of Komeito, the second largest moderate opposition force in the chamber, in enacting crucial bills, including those related to the nation's contribution to the mulinational war efforts in the Gulf. If Mr. Ozawa's option, made even at the sacrifice of party unity, works toward encouraging Komeito to come closer to the LDP in the Diet, his gambit would achieve a fair success.

Japan's commitment to international burden-sharing thus played a role in the process of securing the joint candidate in Tokyo. What was decisive, however, was Komeito's parting from the governing alliance for Mr. Suzuki, although the motivation remains to be known. But it is believed that local issues and the poor political prospects from the backing of Mr. Suzuki for a foruth term were crucial factors in changing the party's election strategy.

The results of four gubernatorial elections and two mayoral elections held last Sunday also did not show any clear signs of serious domestic spillover from the Guf war. What was more conspicuous was local voters' rejection of the party headquarters' attempt to continue controlling local politics. In Yamanashi Prefecture, for example, a conservative candidate running mainly on the strength of grassroots supporters defeated a contestant recruited and backed by former Deputy Prime Minister Shin Kanemaru, who actually has been acting as the kingmaker in the LDP in recent years.

We have yet to see the development toward the unified local elections in April and their results. But what has occurred so far indicate that the coming elections will serve to further diversify our local politics, freeing them from the control from the national political center.

Newspaper Analyzes New Power Structure

OW1401031391 Tokyo NIHON KEIZAI SHIMBUN in Japanese 4 Jan 91 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] The picture of power balance existing among factions within the Liberal Democratic Party [LDP] has become clear. Following the reshuffle of the cabinet and party executive posts at the end of last year, the "new structure of three factions" came into place with the Takeshita faction in the center and two factions of Abe and Watanabe supporting it. The Miyazawa faction was left somewhat away from the structure. The election of the party president is set for October. It is highly likely that this power structure will remain in that shape until then. It is also foreseeable that the Miyazawa faction will assume, more clearly than heretofore, the position of not siding with the Kaifu government but yet not cutting ties with it.

Those who actively sought a pre-year-end reshuffle last year were the people of the Takeshita, Abe, and Watanabe factions. Chief secretaries of three factions —Watanabe of the Takeshita faction, Mitsuzuka of the Abe faction, and Yamaguchi of the Watanabe faction—exerted pressure on party General Secretary Ozawa demanding that a reshuffle take place before the year ends. They made the point that their factions together represented a majority. They negotiated with Mr. Ozawa behind the scenes, and eventually, they succeeded in carrying out the reshuffle. As far as the Miyazawa faction was concerned, however, although it did support the prime minister on the reshuffle, it found itself fenced in by the three factions of Takeshita, Abe, and Watanabe. Ironic as the result may be, the Miyazawa faction now stands further away from the prime minister.

When the Kaifu government was first formed in the summer of 1989, the Miyazawa faction pushed Mr. Yoshiro Hayashi as candidate to run against Kaifu in the party presidential election. An end result of this was that the party's three executive posts came to be shared only among the Takeshita, Abe, and Watanabe factions, leaving the Miyazawa faction in a position of being excluded from the mainstream group. However, at the first cabinet reshuffle carried out in February last year, the faction sent in Mr. Takeo Nishioka as chairman of the party Executive Council, and thus became part of the party executives organization that was made up of representatives from three factions of Takeshita, Abe, and Miyazawa. The party leadership at that time may be said to have had "a power structure encompassing all major mainstream factions of the party."

However, with the expulsion of Executive Council Chairman Nishioka from the Miyazawa faction at the recent reshuffle, the three-faction coalition among the Takeshita, Abe, and Miyazawa factions no longer exists. It has become certain that the party will be run by a new three faction structure of the Takeshita, Abe, and Watanabe factions.

Even in appointments to key party posts other than the three executives, the post of the Diet Policy Committee was at first, though informally, agreed to be filled in by Mr. Koichi Kato of the Miyazawa faction. However, in the end the post went to former Justice Minister Kajiyama of the Takeshita faction. To make the matter worse, the post of the Finance Committee chairman which had been held by a member of the Miyazawa faction was taken over by the Watanabe faction. Thus, the Miyazawa faction was completely left out of all the key posts of the party organization.

Some observers view this development in personnel reshuffling as a preliminary skirmish toward the party presidential election in the autumn. Certain that the Miyazawa faction will try to bring former Deputy Prime Minister Miyazawa to power after Kaifu, the observers think, Prime Minister Kaifu and his people intentionally shook up the Miyazawa faction—by retaining Nishioka as Executive Council chairman and blocking Mr. Yohei Kono from entering the cabinet.

The Abe faction, meanwhile, believes that once its leader, former party General Secretary Abe, restores his health, the new three faction structure will work to its benefits in the "post-Kaifu" realignment. The Watanabe faction, on the other hand, is said to be thinking that if the health problem of Mr. Abe is not solved, then the stage for Mr. Michio Watanabe, its faction leader, to make his appearance will arrive.

The picture is becoming increasingly clear. It is that of the "Takeshita-Abe-Watanabe" group against the "Niyazawa" group with eyes on the party presidential election in the autumn.

Kanemaru Setback May Influence Governor's Race

OW0602104791 Tokyo SANKEI SHIMBUN in Japanese 4 Feb 91 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] A candidate backed by former Deputy Prime Minister Kanemaru was defeated in the Yamanashi Prefecture gubernatorial elections on 3 February. Commenting on the possible impact of this setback, a member (an Abe faction leader) of the Liberal Democratic Party [LDP] said: "This is serious. It is an earthshaking event. This means that Kanemaru has lost his supernatural powers." Another LDP member (a Watanabe faction leader) said: "It is clear that Kanemaru's influence will decline."

While such views existed, the dominant view within the party was that "this does not mean that the Kanemaru-Ozawa line will collapse soon." Most of them want to await developments.

Since moves by the Takeshita faction which back the Kaifu Administration directly affect other factions' strategies in their quest for power, all other factions are watching moves in the Takeshita faction, particularly how Secretary General Ozawa and former Prime Minister Takeshita will react to this development.

This political setback is expected have a delicate effect on Secretary General Ozawa, who works with Kanemaru's support, and his management of the party and the Diet. In particular, there is the possibility that Secretary General Ozawa will face strong resistance to his almost high-handed attempts to "bring down Governor Suzuki" as a candidate in the Tokyo metropolitan gubernatorial election.

Regarding the choice for the Tokyo gubernatorial candidate, confrontation is intensifying between LDP headquarters, which wants a candidate "other than Governor Suzuki," together with the Komeito and the Democrate Socialist Party, and the LDP Tokyo chapter, which "supports for Governor Suzuki to the end."

Secretary General Ozawa and other LDP executives' plan was to begin the work of choosing an LDP candidate this week. It is possible that the LDP Tokyo chapter backing Governor Suzuki will roll back. This is because this recent development may lead incumbent Governor Suzuki to decide to go ahead and declare his candidacy in the election, accepting the view (as a Miyazawa faction leader said) that recent events "clearly show that a candidate cannot win without local popular support, even when supported by headquarters."

It is possible that the Tokyo gubernatorial race will take on an "Ozawa versus anti-Ozawatake" aspect, just as the Yamanashi gubernatorial race developed into a "Kanemaru versus anti-Kanemaru" group campaign.

Ozawa plans to choose a new candidate regardless of whether Governor Suzuki announces his retirement. But if the outcome of the Yamanashi race encourages resistance to Ozawa, "it is possible that no candidate will accept the candidacy" (as a senior LDP member of the Tokyo Assembly said). Ozawa's efforts to select a candidate might come to a standstill.

Political Effects of Anti-Kanemaru Victory

OW0502133391 Tokyo ASAHI EVENING NEWS in English 4 Feb 91 p 3—FOR OFFICIAL USE ONLY

[Text] The outcome of Sunday's gubernatorial election in Yamanashi Prefecture, which meant a setback for Shin Kanemaru, the ruling Liberal-Democratic Party's [LDP] strongman, in his home province, is expected to have a farreaching effect. It may not only diminish Kanemaru's political influence but also possibly affect the government's stand on the Gulf war and Prime Minister Toshiki Kaifu's bid to get himself reelected as LDP leader this fall.

The Yamanashi race had drawn interest because it was viewed as a contest between Kanemaru and anti-Kanemaru LDP Diet members elected from the prefecture. As chairman of the ruling party's Yamanashi chapter, Kanemaru had in effect directed the campaign of Sumio Ozawa, the unsuccessful candidate.

By making use of personal connections he had cultivated over the years, Kanemaru, chairman of the largest LDP faction, had had the Social Democratic Party of Japan (SDPJ) and two other opposition parties support Ozawa. The failure of the coalition in Yamanashi is likely to affect the ongoing selection of the LDP candidate for the Tokyo gubernatorial election in April.

LDP Secretary-General Ichiro Ozawa, Kanemaru's protege, is also likely to come under stronger criticism. Within the government party, there have been grumbles about Ozawa for his failure to take responsibility for the scrapping of the United Nations Peace Cooperation Bill last fall. His arm-twisting maneuvers to force Tokyo Gov. Shunichi Suzuki into giving up his re-election bid have also been breeding criticism.

"The result of the Yamanashi election will encourage the supporters of Mr. Suzuki," said a senior member of former Finance Minister Kiichi Miyazawa's faction. He referred to the fact that in a revolt against party headquarters, the LDP Tokyo chapter has recommended that Suzuki be named the LDP candidate.

Speculating on the impact of Kanemaru's setback, an LDP executive said: "The party has so far been run by Mr. Kanemaru and former Prime Minister Noboru Takeshita. After the Yamanashi race, Mr. Takeshita will gain relatively more influence."

"If Prime Minister Kaifu stumbles over the bills to finance the additional contribution to the Gulf war

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effort, Mr. Takeshita's comeback will become a real possibility," said a senior member of former Finance Minister Michio Watanabe's faction.

Gubernatorial Loss Deals Blow to LDP, Kanemaru

OW0602112491 Tokyo MAINICHI DAILY NEWS in English 5 Feb 91 p 1—FOR OFFICIAL USE ONLY

[Text] The unexpected loss by the Liberal-Democratic Party's [LDP] candidate to an independent in Sunday's election for the Yamanashi governorship has dealt a serious blow to the prestige of the LDP, with ramifications which will be felt deep within the bowels of Nagata-cho, according to political observers.

Former Deputy Governor Sumio Ozawa's failure to win, even though he ran his campaign on the coattails of former Deputy Prime Minister Shin Kanemaru, is also seen as a vote of censure against Kanemaru.

Aftershocks from the defeat are expected to have a subtle effect on the political future of Kanemaru, who plays a major behind-the-scenes role in the ruling party as a leader of the Takeshita faction, the LDP's largest. His influence has increased in recent years because he is one of the few LDP leaders not tainted by the Recruit scandal.

Kanemaru has been a major support of the Kaifu Cabinet and LDP Secretary-General Ichiro Ozawa.

But pundits believe that the defeat will give rise of the perception that Kanemaru's political clout is waning not only in Yamanashi, the prefecture from which he hails, but also at the center, where any decline in his authority is likely to upset the delicate factional equilibrium within the LDP.

The loss in Sunday's election came as a surprise because Sumio Ozawa was strongly favored to win. He had been supported not only the LDP, but also by the Social Democratic Party of Japan (formerly the Japan Socialist Party), Komeito, the Democratic Socialist Party and Rengo (Japan Trade Union Conferation).

Adding to Kanemaru's humiliation is the fact that the candidate who won the election, Ken Amano, did so on an anti-Kanemaru platform. Amano ran as a champion of the people of Yamanashi and against the powers that be.

On the other hand, Kanemaru, who is elected from Yamanashi, pulled out all stops, and wielded his political muscle to recruit Prime Minister Toshiki Kaifu and Cabinet ministers affiliated with the Takeshita faction to give speeches for his candidate, Ozawa.

But such high-handed tactics backfired, and played into the hands of Ozawa's rivals. In anticipation of a post-Kanemaru era, political alignments had already begun to shift within Yamanashi and the prefecture's powerful construction industry association.

Dissatisfaction with the murky process which led to the LDP'S nomination of Ozawa translated into a backlash against the Ozawa campaign and Kanemaru's behind-the-scenes role.

Discontent with the aggressive development policies of Gov. Mochizuki, whom Kanemaru also backed, was another factor contributing to the resentment against the LDP's Yamanashi machine.

The Yamanashi gubernatorial race was further complicated by the fact that disunity within the LDP led the Abe and Miyazawa factions to lead support to Amano.

Members of the Takeshita faction viewed the split within the ranks of the LDP as a sign that support for the Kaifu administration is beginning to weaken, and could crumble before the LDP's presidential election in the fall.

While Amano's victory, which was achieved without the backing of Kanearu and the traditional political establishment, may not mark the end of Kanemaru's dominance of the LDP, it does suggest at the very least that his power does not extend as far into regional politics as it one once did.

Strategy in Tokyo Gubernatorial Election Viewed

OW1002103291 Tokyo MAINICHI DAILY NEWS in English 9 Feb 91 pp 1, 12—FOR OFFICIAL USE ONLY

[Text] Liberal-Democratic Party [LDP] Secretary-General Ichiro Ozawa's decision to back former NHK anchorman Hisanori Isomura against the incumbent, conservative Gov. Shunichi Suzuki in the April election for Tokyo metropolitan governor threatens to undermine his political authority, and could sow dissension within the ruling party.

Ozawa's strategy of forsaking Suzuki is linked to his effort to woo the Komeito and Democratic Socialist Party [DSP] in order to implement the LDP's national agenda. His attempt to place national interest above local concerns, however, could backfire, according to LDP officials.

Even though Isomura has been endorsed by the Komeito and Democratic Socialist Party as well as the LDP, this may not be enough to get him elected over the veteran Suzuki.

If Suzuki is able to win again, party members' frustration with Ozawa's leadership, which have been simmering beneath the surface, are likely to boil over, and could even force Ozawa's resignation, according to well-placed LDP officials.

Whatever the outcome, the April gubernatorial election is likely to have a direct impact on the LDP's election of party president in October.

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By endorsing Isomura, the LDP has split the conservative ticket in the Tokyo gubernatorial race for the first time since the party's founding in 1955.

In the past, the LDP headquarters had accepted the gubernatiol candidates recommended by the party's Tokyo legislators, and local legislators' nominations of candidates to run for the House of Representatives and House of Councillors were usually followed.

Hence, it is not surprising that Ozawa's decision to disregard the wishes of the LDP's Tokyo asemblymen has ignited an all-out war between the LDP headquarters and its Tokyo branch, and elicited vicious criticism of Ozawa's policies.

Shigeru Kasuya, the chairman of the federation of LDP legislators in the Tokyo Metropolitan Assembly, decided to support Suzuki's bid for a fourth term primarily because he distrusts Ozawa, according to leaders of the LDP's Tokyo chapter.

One local LDP leader says that Ozawa, "refuses to listen to what people have to say," and even accuses him of "drawing up a scenario to dump Suzuki beforehand with the Komeito."

According to ranking officials in the LDP's Tokyo chapter, Suzuki had momentarily considered withdrawing his candidacy when Komeito announced that it would not support his re-election bid.

But the 80-year-old Suzuki was rankled when he got wind of Ozawa's plan to dump him, and decided to change his mind, according to a Lower House dietman elected from a Tokyo district.

In fact, it is widely believed that Suzuki's decision to campaign again for governor was prompted primarily by the arrogant manner in which Ozawa tried to quash his re-election campaign.

Ozawa's preoccupation with national concern seems to be the primary cause of the resentment within the LDP's Tokyo chapter. The secretary-general had been devoting himself to legislation that would authorize Japan's contribution to the multinational forces in the Persian Gulf. He felt that the DSP and Komeito would have to be placated in order to ensure pasage of the controversial bills through the Upper House, according to officials close to Ozawa.

The LDP's leadership believed that Japan would face serious consequences if it were not able to fulfill its international pledges, including its offer of assistance of 9 billion dollars to the multinational forces, according to one party official.

Ozawa and other LDP leaders believe that the alliance with Komeito and the DSP had to be preserved to meet these pledges. Since Komeito viewed Suzuki an unacceptable candidate, Suzuki came to be perceived as a lamb to be sacrificed on the altar of national politics.

The clash between the LDP headquarters and its Tokyo chapter was probably inevitable because the former stresses national goals while the latter views the selection of governor as a local autonomy issue.

But Ozawa will be asked to assume responsibility if Isomura is defeated, and his political future has been put on the line, according to party officials.

As a leader of the LDP's most powerful Takeshita faction, which provides the bulk of the support for Prime Minister Toshiki Kaifu, Ozawa's problems are likely to undermine the current cabinet.

The Takeshita faction had attempted to overcome another recent setback—the defeat of a candidate backed by former Deputy Prime Minister Shin Kanemaru, another Takeshita faction leader, in the Yamanashi gubernatorial election held on Feb. 3.

Since Ozawa and Kanemaru are major figures in the LDP, their failure in local politics will have a significant impact on the ruling party's national policies.

* Labor Ministry Study on Foreign Worker Issue

WA0702050091—FOR OFFICIAL USE ONLY

[Editorial Report] According to an article in the 25 January YOMIURI SHIMBUN, page 3, a Labor Ministry study group headed by Sophia University Professor Koichiro Yamaguchi has completed an investigation into the effects the employment of unskilled foreign workers will have on Japan's economy, in particular against the background of Japan's labor shortage problem. The study's conclusions, made public on 24 January, are uniformly "negative," YOMIURI said. The two major conclusions are: 1) That the use of ordinary foreign workers will have an "adverse impact" on the improvement of wages and other working conditions in Japan; and 2) that the "social cost" in terms of housing and education for foreign workers will be great.

The study notes that with regard to the labor shortage itself, "foreign workers would tend to shift into better types of work, so that over the middle and long term" they might not have much effect in ameliorating the labor shortage. Moreover, an increase in the number of foreign workers employed in Japan will not benefit the developing countries supplying these workers, according to the study. "This will not be conducive to sound economic development and creating employment" in these countries, "and will have little effect on correcting income disparities."

While recognizing that the use of foreign labor would help Japan to continue its economic growth rate, the study questions whether this is justifiable. "Because of our international responsibilities and the need to cope with our aging society, we should thoroughly examine just how high we need to keep our economic growth rate."

* Series Focuses on Changes in Marketing Rice

912B0056A Tokyo MAINICHI SHIMBUN in Japanese 26-30 Nov 90—FOR OFFICIAL USE ONLY

[26 Nov 90 p 1]

[Text] **Those Favoring No Restrictions on Rice Growing Aspire To Trading Company Status; "Rice Factories" Planned in Anticipation of an Open Market**

Like the Roman god Janus, the 20-year-old village of Ogata that arose from a project to drain the land and open it to cultivation in an area known as Hachirogata, in Akita Prefecture, has two faces. The community is firmly and evenly split between those farm households that follow the government's policy of cutting back on rice production and switching over to other crops, on the one hand, and those who oppose such reductions, raising high the banner of the model agricultural community based on farm households that grow only rice—and live off what rice they sell on the black market—on the other. Some 303 households—52 percent—of the settlers in this town are cooperating with the government's effort to reduce rice cultivation and are growing other crops, such as soybeans, barley and melons. Now, those who made a fortune growing melons and those who earned their money off black-market rice are competing with each other in building homes so grandiose they make the yuppie mansions of Denenchofu look modest.

But not all is well with these farmers. Says 49-year-old Hironori Ono, who grows two hectares of melons: "It's true that there are times when you can sell melons for a high price. But with a shortage of labor and the advancing age of the village population, we may not be able to keep doing it for more than two or three years." The area is said to be favored with mild winters, but the wind that blows off Oga and Kanpusan is an icy one indeed.

Mr. Ono is a supporter of the government's policy. Of the 15 hectares of land he cultivates, eight hectares are devoted to growing such strains of rice as "Akitakomachi" and "Sasanishiki"; the rest has been turned over to cultivating other crops. He has been growing melons since 1980, but he says that his yields on that crop were near zero for the first four years. In the last two to three years, however, his melon crop has done well; he estimates that he grosses about as much as the free-growers who would have devoted all 15 hectares to rice production—about 30 million yen. But he points out that growing melons requires about 10 times as much labor as growing rice and that, every day from May to when he harvests the crop in August, he employs from six to eight people. Most of the hired hands are farmers' wives from adjacent farm communities, all of whom are past their mid-fifties in age and who cannot be expected to continue to work for more than about another 10 years. These workers cannot be replaced by younger hires because there is no one to do such work outside Ogata. It is a fact that the amount of land set aside for growing melons in Ogata declined from a peak of 89 hectares in 1983 to 42 hectares today—less than half—due to a shortage of part-time labor.

By contrast, those farmers who oppose any restrictions on growing rice are upbeat in outlook. The Ogata Village Akitakomachi Producers' Cooperative, one of a number of groups that have set up paddy-edge operations to refine hulled rice into polished white rice for direct delivery to consumers, has some 29,000 members throughout the prefecture and sales of over 3,000 tons annually, worth about 20 billion yen.

The cooperative has established a system whereby members' orders are processed through a network of nine personal computers for next-day delivery. It is currently spending 30 million yen to speed the introduction of new equipment in order to expand its processing capacity.

"Rice is the only ace left in the hand that's been dealt the farm community," says 42-year-old (Toru) Wakui, a representative of the cooperative. "If we get more members buying direct from producers, we can bring other products besides rice to the cities in quantity."

Since last year Mr. Wakui, who aspires to become a "paddy-edge trading company," has dabbled in melons, rice of a grade suitable for making rice cakes and canned rice porridge. Next year he plans to handle prepacked pilaf and fried rice and Christmas turkeys. He expects to gross 4 billion yen, and makes no apologies. "There's no future for agriculture to be found in cooperating with the government's policy," Wakui says. "With no vision of its own, the Ministry of Agriculture probably won't be able to accuse us of breaking the Staple Food Management Law."

Those who are following the government's agriculture policy are harshly critical of men like Mr. Wakui. Says 48-year-old Shinichiro Sakamoto, "At a time when farmers all over the prefecture are adhering to cutbacks in rice production and preventing the price of rice from collapsing, it's easy to see how someone who doesn't follow the rules can make a lot more money. Over in the next village, where some people who have no more than a single hectare of paddy field are cooperating with the government, there are those who say they would like to break down the embankments and flood the cheaters out." The existence of such sentiments clearly points to the extraordinary position of Ogata in Akita Prefecture.

The Ogata Village Council is similarly split, and in June of this year Toshio Fujihira, a candidate put forward by those who want no restrictions on growing rice, became the new head of the Ogata Village Agricultural Cooperative.

"A farm operates on economic principles, and I am not sure if a unilateral cutback in rice production is such a good idea," says Fujihira, casting a doubtful eye on the government's agricultural policy. In the case of Ogata this year, for example, the amount of land scheduled to be retired from rice cultivation (including a penalty amount due from past failures to reduce cultivation) would have amounted to 8,052 hectares, or 91 percent of all the farmland in the village. Mr. Fujihira blames the central government and the Akita Prefectural government for setting such unrealistic reduction targets.

Rice grown outside the government's rice buying program has become less profitable than it used to be, due to a glut of rice available through private distributors and a consequent price collapse. For this very reason, the advocates of unlimited rice production are calling desperately for some plan that would allow them to survive in an era of free competition. The Ogata Village Agricultural Cooperative, for example, is now using organic fertilizer and next year plans to sell an organic version of Akitakomachi rice. It is also floating a proposal to build a factory for producing microwaveable "instant rice" in the village with Mitsubishi Heavy Industries Ltd. and Marubeni Corp. Mr. Fujihira says he is bent on preserving farm incomes even if deregulation comes, by securing new avenues through which to market rice.

[27 Nov 90 p 3]

[Text] **Domestic Liberalization Gives Many Japanese First Taste of Other Prefectures' Rice; Sasanishiki, Koshihikari Brands Pour in While Other Brands Disappear**

Japan having now become a nation of gourmets, the Japanese simply assume that good-tasting rice—however that is defined—is always easily available. But until very recently Kumamoto Prefecture, for example, had a policy unrivaled anywhere else in the country of not letting a single grain of rice from other prefectures into it. That circumstance was the outcome of strong pressure exerted by the Prefectural Economic Agricultural Cooperative Union that controlled the agricultural economy of Kumamoto and the self-enacted regulations of the rice wholesalers, and the result was that the prefecture supplied all the 200,000 tons of rice consumed annually in a way so self-contained that people joked that Kumamoto had its own Staple-Food Management Law.

What broke the agricultural isolation of Kumamoto was not international pressure, however, but domestic pressure from consumers' complaints and the efforts of the rice marketers. In the spring of 1986, the three main prefectural rice wholesalers first introduced rice grown elsewhere, purportedly in response to growing consumer demand for wider choice and growing retailer desire to carry the brands of rice that brought the highest profits. The Prefectural Economic Union responded by refusing to hand over Kumamoto rice to these three wholesale organizations. But when other wholesalers began introducing non-Kumamoto rice into the prefecture on a kind of installment basis, the prefecture's splendid agricultural isolation came to an end.

"The old way would have damaged Kumamoto agriculture beyond repair, because growers were assured of a market regardless of the quality," declares Keisuke Saigo, chairman of the Central Prefectural Foodstuffs Union, explaining the motive behind the "rebellion."

With the "opening" of the prefecture, the local market plunged into free competition between native and external strains of rice. Now, for example, the Sasanishiki brand grown in places like Yamagata and Akita flows into Kumamoto at the rate of 6,000-7,000 tons a year. Two years ago Hokkaido-grown Yukihikari and "Sarara 397" brands of rice made their way into Kumamoto through Seikyo, the National Federation of Consumers' Cooperatives, gained favor with consumers and was "imported" at a rate of nearly 1,000 tons a year by 1990.

Kumamoto rice growers naturally sought to recover the sales they had lost to the influx of non-Kumamoto rice. But an unpleasant surprise awaited them and their protected rice. In 1987, the Minaminishiki rice grown on about half of all Kumamoto rice land was deemed unfit for government sale through the Food Agency of the Ministry of Agriculture, Forestry and Fisheries, and Kumamoto rice gained a reputation for poor quality.

The panicked Kumamoto growers are now in the process of greatly reducing the amount of Minaminishiki rice they grow and are substituting new strains such as Hinohikari, Yumehikari, Higonohana and Koshihikari.

In Mashiki-machi, Kumamoto Prefecture, 63-year-old Katsumi Takagi, who works 2.1 hectares of rice paddy, is resigned to the change. In place of Minaminishiki he now grows Asahi No. 1 and Hoshiyutaka, a long-grained variety used for processed rice products. "In terms of yield, Minaminishiki was the best," says Takagi. "But if you can't sell it you may as well grow the kind used for processing."

But the enthusiasm for "good rice" in the Kumamoto region is still rather muted compared to northern Japan, where rice-only growers predominate. Some say this is because the Kumamoto farmers get good profits from other crops like melons and hay, and consequently expect relatively little of their rice.

Until several years ago, Kumamoto Prefecture was not the only place to practice agricultural exclusion; Fukuoka and Saga Prefectures were also equally isolationist when it came to rice. But Kumamoto was the last major holdout. The specious logic by which one prefecture kept another prefecture's rice out somehow resembles that used to counter the opening of Japan's rice market. The impetus behind the exclusion was a desire—found in every prefecture—to have the people of that prefecture consume the rice that is grown there, explains Toshiyuki Shimada, agricultural director of the Kumamoto Prefecture Economic Union. In addition, marketing costs would be minor and consumers would feel confident they are getting a quality of rice judged against a single standard. Substitute "Japan" for "Kumamoto" here and one gets a pronouncement that sounds as if it could have come from the Ministry of Agriculture.

But the opening of these interior regions reminds one, however distastefully, of the liberalization of imports that is soon to come to Japan itself. Of the 40,000 tons of rice consumed annually in Saga Prefecture, for example, 7,000 tons consist of rice from Akita and Yamagata. To compete, Saga plans next year to grow 5,000 tons of Pikaichi, a strain they developed themselves. Executives of the Saga Prefectural Economic Union stress that in order to survive the coming liberalization they must first defeat the domestic competition, and that producing brands like Sasanishiki and Koshihikari—which are produced everywhere—will do them no good. They say they need to produce a rice with a distinctive flavor.

As if to illustrate their point, not a few brands of rice have disappeared with the onset of free competition. In Fukuoka, Hokkaido rice sold through Seikyo beginning three years ago has steadily increased in sales volume. The Fukuoka branch of Seikyo sold out its 1,500 tons of Kirara rice and this year ordered 4,000 tons, but its partner Hokkaido Union told them that Hokkaido residents had priority for the rice and it would not be able to make available even 3,000 tons of Kirara to Fukuoka. The popularity of Hokkaido-grown rice was so great that the in-prefecture Mizuho brand of rice had sold out by October.

In sum, the choices facing the Japanese rice market—exclusion or liberalization—have already been tried out by these three Kyushu prefectures. Their experience suggests something about the future of rice in this country.

[28 Nov 90 p 3]

[Text] **Businessmen Come to Rice Farming; Rationalization and Marketing Strategies Put Them in the Vanguard**

In the far foreground of the Tateyama Mountain Range lies the Tonami Plain of grain-rich western Toyama Prefecture. In the middle of the Tonami, in Higashi-Tonami Gun, Fukuya-cho, Kamikawazaki, in the plain presidential offices of Sakatani Agriculture Co., a big agri-business concern, Senior Managing Director Kazunori Okumura, 43, spoke passionately.

"The constant refrain of the now-deceased president of this company was that, if liberalization of rice imports should ever come, we will no longer be able to count on our name and our reputation to sell our rice; we will not be able to survive on faceless production," Okumura said. "The times are coming to that."

From the picture that hangs in the office smiles Minoru Sakatani, the president of the company who died of cancer in October at the age of 60. Mr. Okumura is a former Japan Railways man. Eight years ago he came to work for Sakatani, a former white collar "salaryman" turned farmer.

Sakatani founded the company that bears his name in 1976; he wanted it to be an agri-business concern and four years later it was incorporated. His method was to borrow land from part-time farmers at 30,000-40,000 yen a year per household and farm it; now, the company he founded works 175 hectares and grosses 300 million yen annually. His business grew into the largest rice-growing concern in the country. His method was thorough rationalization.

There are 15 employees. They work in three-man teams, using computers to plan planting and cutting. Men and machines are set up for maximum efficiency; communication is by radio.

Sakatani also made concerted efforts to heighten the value added to the product. Three years ago, he began marketing his own brand of rice that was 100 percent Koshihikari, "Organic Rice World A (Ace)," grown with organic fertilizers subjected to pesticides only once (during weeding). Now, that is practically all Sakatani sells. The year before last, together with agricultural equipment makers, he developed a dehumidifying system to give the rice more natural flavor.

But his methods met with resistance from a conservative agriculture ministry administration and local farmers. In particular, until the revision of the agricultural promotion laws in 1975 made contracts to borrow farm land essentially free, Sakatani's method of farming was considered a form of black marketeering. He was even opposed by the local agricultural cooperative. For this reason, the local agricultural cooperative and the Toyama Prefecture Economic Agricultural Cooperative Union would not consider his request to have them treat his specially-developed World A rice any different from other types of Koshihikari rice grown in Toyama Prefecture; the laws said they could not do so, they argued, and they could not accommodate a single producer in such a fashion.

It was only in 1988 that World A was permitted a special shipping designation. The nationwide competition to produce the best-tasting rice and consumers' growing preference for such rice had been obstinately opposed by the administration. Currently virtually all the 500 tons of World A produced annually goes to eight major urban areas such as Tokyo and Osaka. At 6,000-7,000 yen per 10 kilograms it is more expensive than Niigata Koshihikari, yet it is so popular that Hankyu Department Store executives say they are hard pressed to keep it in stock. Last year the Food Agency of the Ministry of Agriculture, Forestry and Fisheries—as if in belated recognition of Sakatani's efforts—established a system for "special-designation rice" that included label information on the manner in which the rice was grown. Twenty-one years after the founding of Sakatani, this "settlement" reached with the agency may have been what the times demanded.

The so-called "Sakatani method" has spread; of the roughly 1,500 members of the National Rice Growers Association based in Tokyo, about 800 are also agri-businessmen. Most of them are concerns that cultivate

20-30 hectares, but some, like the Hodaka-machi Agricultural Producers' Cooperative in Nagano Prefecture, have 20 people who operate 120 hectares of cultivated land.

The number of agri-businessmen is rising, but there are still obstacles. Sakatani's operations are spread out over several dozen settlements. They are not concentrated in a single area because of local farmers' dislike of what they consider encroachment.

Moreover, to those who say they will not have anything to do with black market rice-growing and will adhere to the government's current system, Mr. Okumura constantly emphasizes that what his company produces is not the black market rice of Ogata. In addition, regulations concerning the direct sale of specially cultivated rice to consumers by growers prohibit one producer from supplying more than 10 tons of rice—a decided disadvantage for a business.

On top of that, under the present system Sakatani cannot be paid the full amount for its product directly from wholesalers and retail stores despite having contracts with them. The firm must instead get an amount equivalent to the standard rice price from the agricultural cooperative and the premium due it from the wholesalers—a troublesome method. The system is set up to preserve the existing marketing routes set up by the cooperatives.

Some 600 fellow agri-businessmen attended Sakatani's funeral in Fukuyacho, many of them pledging to continue his work in expanding the agri-business idea. Those pledges were also a warning to an outmoded administrative system that a challenge was in the offing.

[29 Nov 90 p 3]

[Text] **Economies of Scale Slash Production Costs, Leading Some To See Turning Point for Agricultural Administration**

In Japan, too, large-scale cultivation with helicopters spraying seeds, fertilizers and pesticides and harvesting with giant combines as in America has appeared—in the form of the Agricultural Public Corporation of Kanuma City, Tochigi Prefecture.

In an area known for Kanuma soil, azaleas and sun-ripened strawberries, this corporation has recently added another unique product: pearl barley. There are about a dozen types of pearl barley tea, cakes and flour. The company has 50 hectares under close cultivation and the consistently good quality of its products has won them a good reputation as well. Employees of the firm—known as "operators"—travel the country advertising and selling these products.

The Kanuma organization is one of the best of the large-scale rice growers in the country. It cultivates about 200 hectares of land under lease from 370 farmers, yet has only 13 operators who double as technicians operating the planters, combines and other machinery—an economy of scale that reportedly allows them to grow rice at 60 percent of the national average cost. They have also combined fields unused for rice cultivation and grow pearl barley and barley for beer. Pearl barley is processed and sold under the "Kanuma brand" when rice is out of season, because it does not turn a profit on its own. They also sell the soil of Kanuma.

The leader of the organization is Minoru Narabe, managing councilor. He is a busy man, who explains that he has just come back from a trip to Hokkaido to sell pearl barley.

The corporation is capitalized at 11 million yen. Narabe won a minister of agriculture, forestry and fisheries' prize for excellence in rice cultivation and he established the corporation in 1974 in order to improve the quality of the city's rice. A former white collar employee, he returned to his farm roots with the idea of succeeding at cultivating not just the 3.7 hectares of his family farm but something much bigger. At first, he explains, he had just a small amount of extra land he rented. But as his yields—and payments—improved he found more and more farmers willing to lend him land to cultivate. From 34 hectares borrowed from 58 households in 1975 the operation grew to 221 hectares borrowed from 307 households 10 years later. He now works 290 hectares of paddies and fields lent him by 370 households.

Dividends paid owners have averaged about 50,000 yen per are of land. His success may be attributed to a belief, held from the very beginning, that he would not rely on the government for anything.

The farmers who lend the corporation their rice paddies concentrate instead on crops more advantageous than rice, such as strawberries, azaleas and scallions, or they hold steady jobs in a nearby industrial park or in the city of Utsunomiya. So the arrangement is mutually beneficial.

There has been a nationwide move toward funding public corporations such as the one at Kanuma in many localities, taking the Kanuma Corporation as their model. These include the Toda City Agricultural Development Public Corporation in Gumma Prefecture, as well as the agricultural public corporations at Fujishiro-machi and Mito in Ibaragi Prefecture.

Also, as far as large scale goes, there is the Takadana district of Anjo in Aichi Prefecture, with its nine-family "Agricultural Management Union" that cultivates over 200 hectares of paddy fields in much the same manner as Kanuma. Now the enlargement of the farming plot is showing signs of spreading in just those areas where farms tended to be much larger than the average anyway.

But the national government, the prefectures and the agricultural cooperatives appear to be cool to the idea of the big, mechanized professional farmer. That is because they are aiming at the amalgamation of full- and part-time farmers in a single area, in a way that does not ravage the villages.

A critic of this stance is Toshiharu Takemoto of Terai-machi, Nomi-gun, Ishikawa Prefecture, whose father, Heiichi, was once a member of the Rice Price Deliberation Council. The younger Takemoto expanded his rice cultivation even after the death of his father; including both his own land and that which he farms under contract, he manages some 22 hectares. "The policy of amalgamating these farmers that is pursued under the direction of the Ministry of Agriculture and the agricultural cooperatives does not contribute to the growth of full-time farmers," says Takemoto. "It's too easy for the groups formed that way to become simply a group of irresponsible part-time farmers."

For that reason, Mr. Takemoto has avoided subsidies and expanded his operations through his own efforts. "If we were to become 'operators' in one of the collectives set up by the government, we'd make 10,000 yen a day. At that rate, we would have no choice but to seek steady work elsewhere."

Japan is a country with little arable land, and that confined to narrow patches. To overcome those handicaps and avoid putting farmers in heavy debt to acquire machinery, the Ministry of Agriculture has offered subsidies to promote the formation of regional collectives of a sort. But that policy is now approaching a turning point.

Says Toshiyuki Yoshida, chairman of domestic section of the Agriculture Policy Investigative Committee: "There are already about 20,000 collectives nationwide, bent on cooperative farming and joint use of machinery. But most of them are seeing a new generation of farmers coming in. Maybe the time has come to stop thinking of the sons of the farmers as the real bearers of the burdens of farming and start considering setting up corporations and businesses in order to keep agriculture alive in this country." His remarks suggest that perhaps the groupings of part-time farmers are on their way out and the commercialization of farming is on its way in.

[30 Nov 90 p 3]

[Text] **Trade in Independently Marketed Rice Changing, As "Myth" of Sasanishiki and Koshihikari Brands' Superiority Fades**

The setting: About an hour from the center of the city on the Tokyu Denentoshi Line—itself lined with new housing developments. In the Tsuruma section near Minamimachida Station in Machida, in the Municipality of Tokyo, the telephone at a rice retailer named Tanakaya has been ringing off the hook since morning with orders from housewives requesting deliveries of an advertized brand of rice. It is 18 October, and a group of seven rice growers from Amarume, Yamagata Prefecture, have advertized a special brand of Sasanishiki rice whose method of cultivation is duly recorded and who feel so confident of their product that they will ship it direct to consumers.

Store manager Kenzo Tanaka, 42, the eldest son of the company president, 71-year-old Kentaro Tanaka, says he sells 12 tons of the rice a week and feels certain he can sell 60 tons a week. "We've no doubt gained the confidence of consumers, because we've specified clearly who grows the rice we sell," he says.

Machida, like Yokohama and Sagamihara in nearby Kanagawa Prefecture, is an area of intense competition between an unusually large number of rice retailers. Every day, one rice shop or another spreads leaflets advertising a special sale on Koshihikari rice, in an effort to get ahead of the competition by slashing prices. It is common for the retailers to offer spaghetti, salad oil, juice or other products with their rice. The brand offered by the farmers from Amarume borrows the title of a popular comic book series that anointed Sasanishiki rice from the Shonai area of Amarume the best in the land.

But what really shocked Kenzo were the first-round bids on independently marketed rice on the Rice Exchange conducted on 31 October: The price for the benchmark Shonai Sasanishiki rice was 3.3 percent lower than last year. He could only explain the matter by saying that people had come to doubt the recommendations of a character in the comics, a gourmet food critic—and he worried that he may not be able to sell the Sasanishiki. But it turned out that sales of Amarume Sasanishiki remained stable even after that.

Rather, the belief has grown that even these low first-round bids were on the whole unnaturally high. But what, then, is the reason for the high prices? The manager of a large rice wholesaler in the city explained that many of the prefectural economic unions with which his company had done business up to now had requested the high bids. There were even cases in which, like the union of a Hokuriku region prefecture, the prefectures themselves bid on their own locally produced Koshihikari rice in order to support its price.

But such price-setting divorced from the realities of the marketplace will not last forever. The price of Niigata Koshihikari, for example, was the highest in the country, up 5 percent from the previous year; but the rice is in danger of being left over, unable to be sold. Part of the crop has been found to bloat when cooked due to damage caused by an unusually hot summer and—as one Tokyo wholesaler noted—word has spread that the Niigata Koshihikari (much of which comes from the Kamahara district around Niigata City) does not taste as good as that from Ibaragi Prefecture.

Another Tokyo rice wholesaler who had participated in the bidding noted that rice could not be sold unless the price was cut to half the rise represented in that bidding. He predicted that Koshihikari rice, like Sasanishiki before it, would lose its popularity.

The Rice Exchange was originally set up to reflect consumer preference in the way prices for independently marketed rice were set. But because 80 percent of the trade in such rice is handled by the National Federation of Agricultural Cooperatives and the economic unions, on the one hand, and the wholesalers, on the other, the bid price does not always function as the benchmark market price. For this reason, this year's trading was exceptionally poor. The wholesalers felt the market was flooded with overlapping brands of independently marketed rice and so held off buying; some said that November's negotiations would produce prices 30 percent below the norm—a highly unusual development.

Ironically, however, there is a shortage of the government controlled rice that consumers say is of poor quality. That being the case, observers say, the surplus of Sasanishiki and Koshihikari rice hitherto marketed independently will show up in large quantities in government warehouses. Indeed, the amount of Koshihikari now held by the government increased 40 times over that of a year ago; the amount of Sasanishiki bought by the government exploded to 336 times that of a year ago, to 56,000 tons. A source close to the agricultural cooperatives explained the burgeoning supplies of Sasanishiki showing up in government stocks as an emergency measure necessitated by a drop in the popularity of the strain with consumers, resulting in the handling of a first-rate rice as if it were an inferior grade. That in turn has prompted some rice wholesalers to expect that this year's "government rice" will be very much improved in taste.

As the bidding on the Rice Exchange heats up, the competition and the price wars erupting between the producing regions has heightened as well. Some sources close to the cooperatives have said publicly that the regional agricultural cooperatives will likely try to bypass the national federation and the economic unions and sell directly to wholesalers, suggesting that the foodstuffs management system predicated on the existence of the cooperatives is very near a complete breakdown. Consumer preferences, too, have become more diverse, resulting in the emergence of some high-priced brands that nevertheless sell well and clear gradations of brands. From marketing to production, the rice market is changing under the pressure of just such consumer clout.

But in that case it may well be, then, that, as one rice seller said, the future security of Japanese rice is assured because the people's palate would not find foreign rice—if it were to become available—very attractive anyway.

Secret Association of Six Largest Banks

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[Article by Katsuya Shimizu]

[Text] **We may call them secret or informal associations. There are a number of such get-togethers in Japan's financial sector. One of them, the City Banks Association surfaced itself this fall by registering with the Fair Trade Commission as a formal organization. Behind this move was, among others, the criticism of the sector as "a hotbed of collusion" in the U.S. Congress. However, various kinds of other associations are still covered with a veil of darkness. What is the nature of these associations? The following is the result of a study made to grasp their real aspects.**

U.S. Watch Bothersome; So City Banks Association Chooses To Become Formal Organization

Executives in charge of planning from 11 city banks except the Bank of Tokyo assembled at a conference room on the second floor of the Palace Hotel in Marunouchi, Tokyo at 1100 on 18 September. They were all big-shot elite bankers regarded as future presidential candidates at their respective banks. The title of the gathering was the "September Regular Meeting of the City Banks Association."

This designation—the City Banks Association [Toginkon]—will come home to few readers and no wonder. This is a secret association. Installed in December 1967, Toginkon holds its meeting once a month. Each bank acts, by turns, as secretary for a half-year period. Minutes of the proceedings are classified as secret from outsiders. In view of prestigious stature of its members, Toginkon was once called the "shadow board of directors of the financial world."

The Federation of Bankers Associations of Japan [Zenginkyo] is widely known as a trade association in the domain of banking. Its membership includes local banks and trust banks as well. Toginkon, which has only city banks as its members, has assumed the role of a virtual "association of city banks."

At the aforementioned September regular meeting, Toginkon made a decision to change its character. In other words, Toginkon, an obscure "informal association," decided to clearly orient itself as a "formal organization aimed at promoting common interests of the enterprises." On the following day, that is, 19 September, the person in charge of the Tokyo Planning Department of the Daiwa Bank, which served as secretary of Toginkon in the first half of 1990, visited the Fair Trade Commission in Kasumigaseki and registered with the Trade Association Division of the commission's Economic Department as a "formal trade association" conforming to the Antimonopoly Law.

To tell the truth, Toginkon made this decision in response to the desires of the Fair Trade Commission and the Finance Ministry. Since the spring of this year, the Fair Trade Commission had called a person in charge at the Daiwa Bank to its office and advised that Toginkon should register itself as a "formal trade association," citing various reasons such as a bothersome U.S. watch. For that matter, however, the registry does not generate a new obligation for Toginkon to disclose details of its discussions to the public. According to the Fair Trade Commission, "an established identity as a formal association will simply make the commission's prosecution job a little easier in case the association breaches the Antimonopoly Law and there is no more merit." (Trade Association Division Chief Takima Chikyu). Mr. Tatsuro Ito, managing director of the Kyowa Bank, which has been serving as secretary in the latter half of 1990, also stresses that "there will be no change in operational methods." Therefore, the registry appears to have only a symbolic significance.

Manipulated? Criticism of Japan's Banks; "Evidence of Collusion over Deposit Rates"

Why did the administrative authorities, aware of the watchful "U.S. eye," take such a largely ceremonial step regarding Toginkon? The story goes back to the fall of last year. The scene for the story is laid in a full U.S. Senate session.

"Members of the executive class from six major city banks in Japan hold informal regular meetings, which are also attended by Finance Ministry officials, to discuss interest rates on deposits, interest rates for large loans, and other matters of common concern. The meetings are held in secrecy to escape the Fair Trade Commission's prosecution on the basis of the Antimonopoly Law."

The above is what Murkowski (Republican; Alaska), who is known as a hard-liner toward Japan, said in his speech on 27 October last year. He concluded his speech by saying that "we should ask Japan to step up its enforcement of the Antimonopoly Law in the financial sector as well."

The speech aroused the concern of the financial authorities and the financial circles, and this was not necessarily because the substance of the speech was shocking. The real cause was a rumor about secret maneuvers by a person called the manipulator of various Japan-bashing schemes behind Senator Murkowski.

This person, whom "Japanese enterprises in Washington are most afraid of" (a leading member of a major trading company), is Mr. William Triplett, a senior professional member on the staff of the U.S. Senate Foreign Relations Committee. Professor Yoshihiro Tsurumi at the City University of New York, who is acquainted with backstage maneuvers in the U.S. political world, makes the following comments on him: "He is the brains of the U.S. congressmen who hold a hawkish position toward Japan. He has played a central role in collecting information and preparing bills for legal sanction in connection with many cases of criticism leveled at Japan such as the Kansai new airport issue, Toshiba Machine Co. incident, the question of any Japanese enterprise involvement in Libyan chemical weapons plants, and a row kicked up over a pirated English version of *The Japan That Can Say 'No.'*"

We cannot prove the truth of the speculation that Senator Murkowski's criticism of collusion among Japanese banks was manipulated by Mr. Triplett. However, there is data supporting the speculation. It is an article, entitled "Hidden Reasons for Japan-bashing," signed by Mr. Triplett and published this summer (carried in an extra edition of a monthly USHIO). The following passage absorbed the attention of international financial sources:

"There is a published 'report' indicating that when setting interest rates on deposits, an organ under the jurisdiction of the Finance Ministry and six major Japanese banks secretly met in an act of 'collusion,' and I have a photocopy of the report at hand now." This passage has a strong resemblance to a portion of Murkowski's speech. He further made the following additional remark which smacks of a warning: "It is unpredictable what will happen in the future if facts concerning the act of 'collusion' are exposed and the Japanese government keeps conniving with unfair commercial practices."

A view began to be expressed that "Mr. Triplett's next target is collusion among the Japanese banks." Misgivings thus spread, and various concerned people became alarmed. A train of such developments appear to have been behind the authorities' judgment and move to rid Toginkon of its opaque nature.

However, the "secret association of six major city banks" as referred to in Murkowski's speech and Triplett's article do not coincide with Toginkon because the latter's members are 11 banks. Then, is there another organization besides Toginkon? A person concerned with a city bank answered this question on condition of "absolute anonymity so as to avoid the troublesome attention of the Fair Trade Commission." He said: "To tell the truth, the object really targeted by those congressmen holding a hawkish position toward Japan is the 'Six Bank Association' [Rokugyokai] organized by only six high-ranking city banks." He thus implied that there is another secret association besides Toginkon.

Financial Mafias Assembling at Rokugyokai; Creation of Consensus in Entire Financial Sector

The Fair Trade Commission speaks ambiguously about the existence of "Rokugyokai," saying that "it has not been confirmed," (Trade Association Division Chief Chikyu). However, the person concerned disclosed, though reluctantly, that its members were the Dai-Ichi Kangyo Bank, the Fuji Bank, the Sumitomo Bank, the Mitsubishi Bank, the Sanwa Bank, and the Taiyo Kobe & Mitsui Bank. "Rokugyokai" has a multilayer structure made up of various levels of clubs ranging from those organized by executive-class directors and those by deputy directors and section chiefs in respective divisions. Among them, two leading clubs are said to be "Yayoikai" formed by executive-class planning directors and "Rakuyukai" whose members hold the ranks of deputy director and section chief in the planning division.

It is not clear when "Rokugyokai" was set up. Some point out that it became difficult for Toginkon to work up a consensus in the middle of the 1970's when a gap in strength between high-ranking and middle- and low-ranking city banks began to widen and that since then, "Rokugyokai" has increased its influences in place of Toginkon.

"Yayoikai" is said to meet once a month in a hotel room where attendants talk over lunch. It is presided over by a participant from a bank assuming chairmanship of the Federation of Bankers Associations of Japan. The federation's chairmanship is assumed by turns at a 1-year interval by four city banks in the Kanto area, Fuji, Taiyo Kobe & Mitsui, Mitsubishi, and Dai-Ichi Kangyo in their order.

Concerning "Rakuyukai," it is said to meet twice a month in principle, and in many cases talks are conducted over lunch at "Kasumigaseki Mitsui Club" located within the Tokyo Club Building in Kasumigaseki. The presider is the "chief of the Detached Office" of the Federation of Bankers' Associations of Japan. The title must be unfamiliar, but the "Detached Office" is a special unit which a bank sets up in its Planning Division when it assumes the chairmanship of the federation. The office assumes the role of a secretariat for the Federation of Bankers' Associations of Japan.

As to debate proceedings in "Rokugyokai," it appears that "Rakuyukai" first has detailed talks on important matters, that the results of its debate are then presented to "Yayoikai," and that "Yayoikai" makes the final decision. Moreover, the details of agreement at "Rokugyokai" are conveyed to Toginkon and further passed down to various committees of the Federation of Bankers' Associations of Japan, including the General Committee. This is the general pattern on which a consensus is formed among all financial institutions including not only high-ranking city banks but also middle- and low-ranking city banks and local banks.

However, it does not appear that Finance Ministry officials also attend "Rokugyokai" meetings. According to the same person it is hard to say that section chief-level Finance Ministry officials have never attended a "Rakuyukai" meeting through invitation; nevertheless, they are not regular attendants. Finance Ministry officials do not attend a "Yayoikai" meeting either in principle. Mr. Murkowski seems to have a misunderstanding in this respect.

Nevertheless, each city bank has staffers charged with "the task of liaison" between "Rokugyokai" or Toginkon and the Finance Ministry [MOF]. They are usually called "MOFers." MOF is an abbreviation of the Ministry of Finance. So this term, specific to the financial sector, means experts in charge of handling the ministry. A person on this duty is equivalent to a section chief in ranking, and this duty is in many cases assigned to a person who has served about 3 years since joining the bank after his graduation from the law department of the University of Tokyo and who has some experiences in visiting and contacting the Finance Ministry in view of the need for easy communications with the ministry officials.

There are two categories of "MOFers." One is the "internal MOFer" who belongs to the bank's planning branch and chiefly specializes in the collection of information at the Finance Ministry Banking Bureau, and the other is the "international MOFer" who is assigned to the bank's international branch and carries out the collection of information at the same ministry's International Finance Bureau. A city bank generally has one MOFer for each different category.

The following is what an "internal MOFer" does each day. He leaves for the Finance Ministry early afternoon and meets mostly assistants to section chiefs in the Banking Bureau. He does not make appointments for the meetings. He starts a conversation by asking, "How are things going these days?" The knack in performing his job is to sound out the intentions of the administrative authorities from a conversation held in such a casual manner. These MOFers are said to appear in the Banking Bureau more frequently these days because the debates on service boundaries between banks and securities firms have now reached their final stage. After finishing the "lobbying" trip within the ministry, he returns to the main office around 2100. He repeats such a routine everyday.

In their work, these persons notably resemble journalists belonging to the Finance Ministry Press Club. However, they are different in that MOFers are not treated as a nuisance even when they make a surprise visit (? !). [punctuation as published] Perhaps, the Finance Ministry views the "MOFers" as a precious means to convey the intentions of the administrative authorities to banks.

Collapsing Collusive Structure; Financial Liberalization Triggers It

The "inner most part" of the financial world runs business through tie-ups with the Finance Ministry by the medium of these "information point men." Will it really be a "hotbed of collusion"?

There is no doubt that measures close to collusive steps have thus far been taken as to "interest rates on deposits" among items cited in Murkowski's speech such as "interest rates on deposits, interest rates on large loans, and other matters of common concern." Under a Finance Ministry notification based on the Temporary Interest Rate Adjustment Law (Temporary Interest Law), there have been fixed upper limits to small-lot deposit rates, and all banks have thus far applied uniform rates in accordance with top standard rates under the guidance of the Finance Ministry and the Bank of Japan. Interest rates on deposits have thus been treated as items to which the Antimonopoly Law is not applied. The U.S. criticism of "legitimate collusion also involving the administrative authorities" is not necessarily off the mark.

Nevertheless, deregulation of interest rates is in progress, primarily with regard to large-lot deposits, which are free from regulatory measures at present, such as the large-lot time deposit and the CD (negotiable certificate of deposit). Concerning interest rates on small-lot time deposits as well, the Finance Ministry intends to complete deregulation by 1993 at the latest, and the U.S. Treasury Department has been notified of this policy at the Japanese-U.S. financial consultations (although negotiations are stalled because of a U.S. request for prompter deregulation within 1 year).

On the other hand, how are the "rates for large loans" resolved? Short-term prime rates (interest rates on less-than-one-year loans to the most creditworthy enterprises), which are closely related to city banks, also have upper limits set by a Finance Ministry notification on the basis of the Temporary Interest Law, and all banks are supposed to decide their rates on their own within this framework as a matter of principle. However, for a long time a bank acting as chairman of the Federation of Bankers' Associations of Japan has decided the rates by linking them with official discount rates, and all banks followed the rates through consultations at informal meetings. This is indeed collusion.

This practice underwent a little change in January 1989. The Mitsubishi Bank introduced new short-term prime rates which could be revised even at a time when official discount rates were not changed and through the method of reflecting the total fund-procuring cost in each bank. All banks followed suit. This step to separate short-term prime rates from the category of interest rates fixed by financial authorities was perceived as an event symbolizing liberalization. Nevertheless, it is said that the range of change in the new short-term prime rates is still decided by the results of the exchange of views at the "Rokugyokai."

After saying that "considerable discussions have been made as to the new short-term prime rates," Fair Trade Commission Chairman Setsuo Umezawa makes the following remarks: "As is widely known, the new short-term prime rates are not, in effect, applied to all lending cases. They simply represent a process of supplying a kind of index. This kind of index of interest rates exist in the United States as well." The following appears to be a dominant view in the Banking Bureau of the Finance Ministry: "The introduction of the new short-term prime rates is the first step toward the deregulation of loan rates. The rates are the same among banks for the time being; however, this uniformity in rates will collapse when financial liberalization further progresses and gaps in strength appear among banks."

Concerning "other matters of common concern," what comes into question with regard to collusion is the transfer fees. However, their uniform application collapsed following their lowering this spring. Shocking further to "Rokugyokai" was the Bank of Hiroshima's announcement in April of this year that it would introduce the "Sunday Banking" system for the first time in Japan. The local bank thus declared the start of the new service ahead of city banks. It was a moment when the traditional system of decisionmaking through "Rokugyokai," Toginkon, and then the General Committee of the Federation of Banks Association began to crack.

Discordance Also Over New Short-Term Prime Rates; Influence of "Rokugyokai" Diminishing

"We have joined 'Rokugyokai' through much effort, but in practicality it is dominated by two upper banks. They do not really care about lower banks."

This is the complaint made by a concerned worker at the former Taiyo Kobe Bank, which has now merged with the former Mitsui Bank and consequently become a new member of "Rokuyukai," to his onetime fellow worker now on the planning staff at a certain lower-ranking bank.

According to this staff member, gaps in strength are widening among the "six banks" as well and a tacitly agreed to order of ranks is now being built as a result. The order is said to be based on "general assessments of each bank's managerial indexes such as the amount of deposits and earnings, and in addition, the quality of financed enterprises and conglomerates and their political influences." It is interesting to learn that "Mitsubishi and Sumitomo are two upper-level banks; Fuji and Taiyo Kobe & Mitsui are two medium-ranking banks; and Dai-Ichi Kangyo and Sanwa are two lower-ranking banks."

As Toginkon has lost its influence, so may "Rokugyokai" also become an organization existing in name only when gaps develop among its members. A planning staffer of a major securities company, who is said to have once busied himself in obtaining minutes of the proceedings at "Rokugyokai" and Toginkon meetings, says: "The uproar raised in the spring of 1989 over the financial system issue was the last time we still had interest in 'Rokugyokai.' We are no longer interested in it." He adds: "This is not a time when the financial sector is moved by 'Rokugyokai.' Any effort to collect information from other than separate individual banks will prove meaningless." According to a "Rokugyokai" source, discordance has been generated even over the range of revision with regard to new short-term prime rates since the latter half of last year.

Of course, there is no knowing what judgment U.S. hard-line congressmen against Japan will form on these developments. However, a leading official of the Finance Ministry's International Finance Bureau says in this regard: "Partly because of U.S. criticism, we have steadily promoted liberalization. Whatever was the case in the past, I believe that at present the United States is not thinking of playing up the cases of collusion in the financial sector as a source of Japanese-U.S. frictions.

Nevertheless, it itself poses a question that various secret associations exist in the financial sector even if their influences have lessened, does it not? Their existence would seem in the eyes of foreigners "a symbol of a closed nature" of our system and unavoidably give rise to various unsavory conjectures. It seems to be better to dissolve them if their existence is meaningless. However, things are not that simple.

It may sound ironic, but this is because a mechanism for a certain degree of "adjustment" is necessary for promoting liberalization. It is thus unlikely that the financial sector's system of decisionmaking through informal meetings between the Finance Ministry and city banks will collapse immediately.

A system which has long bolstered the formula of guardianship is now going to make a big change, transforming itself into a medium for adjustment required for smooth progress in financial liberalization. In this process, gaps in managerial competence will grow among major banks as well and the practice of uniform decisionmaking will further collapse among the "six banks." However, the Finance Ministry alone is likely to retain its influence as coordinator.

* Future of Optical Industry Examined

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[Article by Industrial Bank of Japan Industry Research Division research officer, Makoto Tamaki]

[Text] 1. The optical technology and industry, involving equipment and systems associated with the use of laser beams, is drawing attention. With the application of large-volume communications and ultra-speed arithmetic processing, as well as neurocomputers, which mimic the workings of human brains, becoming practical as the 21st century approaches, this new optics should become the pivotal technology.

2. While competing technologically with the United States in the communications and computer fields, the Japanese optical industry is far ahead of other countries as the world's supply base in the audio and video equipment sectors. Even in research and development, efforts have been placed on basic research from early on and the extent of contribution is great, too, in the fundamental research field as compared with the case of semiconductors.

3. The optical industry can be expected to grow at an annual rate exceeding 10 percent in the future and the production scale is estimated to be approximately Y5 trillion in 1995. It is anticipated that the ripple effect on electronics, commerce, etc., which will be induced by this development, will even surpass that amount.

Communications Field Lead in Application

Optical industry production amounted to nearly Y2.5 trillion in FY89 and had reached a considerably high level, even if considered as a single industry. However, the industry's optical technology which is currently in the limelight, is not concerned with the optical equipment and technology which used the traditional-type light rays as in cameras, but the technology and industry which mainly uses laser beams oscillated successfully by the American professor, Maiman, in June 1960.

Because this new optics field was developed in conjunction with the electronics technology, which brought revolutionary changes in the industrial society, it made rapid progress in this quarter century, unlike biotechnology.

In the applied fields of optics, lightwave communications system using optical fiber was one of the foremost leaders. By using optical fiber to send light beams emitted by semiconductor lasers, a great volume of information can be transmitted speedily in a minimum of space. In February 1985, the Nippon Telegraph and Telephone Corp. (NTT) completed the "optical route traversing Japan," spanning a total distance of 3,400 km between Asahikawa and Kagoshima and established a lightwave network linking 34 cities through the country.

Combining these trunk systems with subscriber loop circuits, an optical fiber network covering 62,000 km (including facilities of new telegraph and telephone companies, as of March 1990) is operating nationwide in Japan.

Furthermore, through the practical use in the future of technology to modulate light waves like electrical waves, the communications volume is expected to increase substantially. For example, through use of this method, it will become possible theoretically to transmit programs carried by 6,000 TV broadcasting channels with a single optical fiber about the size of a hair.

Around the year, 2015, when the use of fiber optics should advance to general households through the materialization of such large-capacity optical communications, all types of high-utility information, including voice, image and data, should be transmitted locally through this means.

Meanwhile, in the data processing field, not only in memory and input- output devices, such as optical disk files and laser beam printers which appeared first in the commercialization of optical technology, but the use of light waves is advancing to even computers which handle logical operations. Such utilization of fiber optics will probably start with solid-state circuits using the directness of light rays. Experimental-stage research has been practically completed and it is expected that in the future, a section of printed circuit plates and circuits in IC [integrated circuit] chips will be replaced by optical circuits.

Also, neurocomputers are highly compatible with optics. Neurocomputers will enable assumptions to be made of correct knowledge based on learning and incomplete information, a function which past computers could not handle, and Mitsubishi Electric Corp. has succeeded in the trial production of optical neurochips which will be the basic component.

At the AT&T (American Telephone and Telegraph Co.) Bell Laboratories, one of the largest research institutes in the United States, the use of light signals in ultra-speed arithmetic processing, which is the heart of supercomputers, is being tested under the guidance of Professor Allan (Fawn), leader of the optical computing research group. In Europe, the French government's Ministry of Post., Telecommunication & Space (PTT) is strongly promoting the use of fiber optics in the subscriber loop system, which is the communications network for general households.

In this manner, not only in Japan but in the United States and Europe, research and infrastructure preparations are being earnestly undertaken to put optical technology to practical uses. Then, let us compare the actual capabilities of the Japanese optical industry with those of the United States and Europe.

First, in the communications field, various governments as well as corporations with powerful bases, like NTT and AT&T, are strongly supporting R&D, pratical tests, etc. For this reason, experiments on Integrated Services Digital Network (ISDN) and videotex using fiber optics have been conducted almost simultaneously from about 1980 in various countries and Japan, the United States and Europe are about on the same level.

High Degree of Contribution in Basic Research, Too

As for the computer field, in the production of peripheral computer units, such as laser beam printers and optical magnetic disk drives, which are already in practical use with optics as the core technology, Japan is far ahead of the United States and Europe. However, in research on circuits utilizing light signals, optical interconnections and optical neurocomputers, as well as on optical processors using light signals in arithmetic processing, Japan and United States are competing for research results. On the other hand, Europe, which is weak in the development of devices, lags behind somewhat in this field.

What about the audio and video equipment field? As can be seen from the fact that about 80 percent of the worldwide demand for CD (compact disk) players are being supplied by Japanese manufacturers (including overseas local production), Japan is showing an overwhelming strength. With video disks, too, the optical method, the market development of which has been pursued by Japan with Pioneer Electronic Co. as the leader, has become the primary producer in the world and laser disk players, using this method, are hardly produced in any other country except Japan.

As for basic research on optics, the assertion often made of Japan's free-ride on European and U.S. technologies is not necessarily true. In the development of semiconductor lasers, Japan had achieved results from early on in prolonging the lifespan. Also, the idea of OEIC (optoelectronic integrated circuit), which tries to combine the strong features of optics and electronics, was proposed by Japan.

Thus, as far as optics is concerned, Japan is placing efforts on basic R&D and can be said to be on an equal level with research in U.S. universities and AT&T Bell Laboratories. It is also heartening to note that large Japanese corporations are competing to engage in basic research.

Ripple Effect on Other Industries Amounts to Y5 Trillion

Then, at what tempo will production increase in the optical industry in which Japan has strong competitive power? An estimate of the optical industry production amount in 1995 and an assessment of its ripple effect on other industries show that the total production of the optical industry in 1995 should reach approximately Y4.9526 trillion and an annual growth rate of over 10 percent can be expected to continue in the future.

The breakdown shows that optical equipment, such as laser beam printers and facsimile machines, occupy the biggest ratio at approximately Y3.4834 trillion. Production of optical systems, such as the lightwave communications system for NTT and optical LAN (local area network for enterprises) will grow to a considerable scale, amounting to approximately Y310.1 billion. Since increase in exports of optical components, which support optical equipment and systems, can be expected, production will amount to approximately Y1.1591 trillion to enter the ranks of Y1-trillion industries.

Production in non-optical industries, such as machinery and material industries which are fed by the optical industry, will amount to approximately Y5 trillion in 1995 so an inducement effect of equal scale as the optical industry can be anticipated. In particular, the production inducement effect is large in the electronics industry, which coexists and co-prospers with the optical industry, and production is expected to reach approximately Y1.2 trillion. In addition, production of the nonferrous metals industry, which provides materials to the optical industry, is expected to total approximately Y330 billion.

Furthermore, the effect is expected to produce approximately Y320 billion for commerce, approximately Y260 billion for transportation and nearly Y240 billion for banking and insurance which finance the optical industry so the development of the optical industry is anticipated to have a great impact on other industries.

There is no doubt that the success of the electronics industry was one of the driving forces of economic development in the latter half of the 20th century. What happened with electronics is about to happen with optics and Japan must take the lead to become a tractive force for this innovation.

As points that need to be considered to accomplish that, first, the promotion of international cooperation in R&D can be mentioned. To participate actively in international conferences, to present papers, etc., in other words, to become the information dispatch center concerning optical technology can be said to be the obligation of Japan as one of the leading countries.

Second, on the industrial level, many difficult problems face the successful blossoming of the optical industry, which is in the take-off stage, and positive Japanese contributions are desirable in this facet, too. For example, in "standardization," which is indispensable to the optical industry, aggressive promotion is necessary at all levels, including corporations, industrial circles and government.

Also, to expand uses in households of large-volume lightwave transmissions through use of optical fibers, it might become necessary to unify approving and licensing rights of various ministries and agencies, concerning the transmitted information and usages, and to ease regulations drastically.

Production Figures of Optical Industry and Its Ripple Effect in 1995 (Unit: Y100 million)

Optical systems	3,100.57
Optical equipment and devices	34,834.35
Optical components	11,590.68
Optical industry total	49,525.60
Electronics	11,959.12
Non-ferrous metals	3,311.12
Chemical products	2,621.17
Commerce	3,235.61
Transportation	2,625.48
Banking/Finance	2,369.14
Induced Production Total	51,060.82
(Includes others)	

(Note: Tentative calculations by the Industrial Bank of Japan based on optical industry related charts prepared by the Optical Industry Technology Promotion Association.)

Mongolia

Paper Carries Articles on President's U.S. Trip

OW1102180991 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1614 GMT 11 Feb 91—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 11 Feb (OANA-MONTSAME)—MONTSAME newspaper "IL TOVCHOO" ("GLASNOST") has published articles about the recent visit of P. Ochirbat, MPR [Mongoligan People's Republic] President to the USA, and also an interview with J. Leach, representative of the U.S. Peace Corps. He points out that this year 15 representatives of this organisation will start working in Mongolia. They will teach English and also render assistance in the spheres of agriculture and public health. The newspaper also publishes an interview with C. Erdene, MONTSAME AGENCY new director general. He notes that the agency's main task is to provide the Mongolian mass media with urgent information on internal life of the country as well as foreign news. It also transmits news about the country's life to other countries. He also points out that the agency has every day contacts with 25 foreign news and press agencies. C. Erdene is the first Mongolian journalist, who finished the special course of journalists in England last year. He is non-party. He says that he is a nationalist by conviction.

MONTSAME Journalist Disappears in New York

OW0902181591 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1004 GMT 9 Feb 91—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 8 Feb (OANA-MONTSAME)—Yesterday chief of the MPR [Mongolian People's Republic] Security Department confirmed the fact of disappearance of a national MONTSAME NEWS AGENCY journalist. The young Mongolian journalist disappeared from a New York hotel in the evening of January 25. The versions of kidnapping or murdering has not been confirmed. The reason of his escaping is not known.

25-year-old D. Amarjargal graduated from the Institute of Foreign Languages in 1988, knows several European languages. He is single.

G. Ochirbat Summarizes Recent Visit to PRC

OW1102194691 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1620 GMT 11 Feb 91—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 11 Feb (OANA-MONTSAME)—While summing up the outcomes of recent visit to the PRC of G. Ochirbat, chairman of the MPRP CC [Mongolian People's Revolutionary Party Central Committee], he stated that his meetings with Jiang Zemin, general secretary of the CPC CC and Song Ping, member of the standing committee of the CPC CC, had reaffirmed broader possibilities of further deepening relations and enhanching cooperation efficiency between two parties.

The MPRP Central Committee believes that the further development of friendship and cooperation with two neighbouring great powers, USSR and China, is the main factor of successful renovation in this country.

The MPRP CC is grateful to Chinese leaders that they thoroughly considered the proposals of the Mongolian side on urgent problems concerning Mongol-Chinese economic and trade cooperation and adopted a resolution on the visit recommending the government to take measures aimed at realization of accords reached during the visit.

Opposition Leaders Criticize Government

OW1102200791 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1624 GMT 11 Feb 91—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 11 Feb (OANA-MONTSAME)—At a press conference held on 9 February 1991, S. Dzorig, leader of the Mongolian Democratic Association said that the government lagged behined the transition to market economy on some aspects. He is also of the opinion that the government wastes a lot of time in solving the problems concerning new forms of ownership, especialy private ownership, liquidation of monopoly in industrial branches and training of specialists, who are going to work in new conditions.

Concerning the present political structure of the society, S. Dzorig pointed out that this structure is transitional. In order to enhance the efficiency of activities of the present government bodies of different levels it would be better if new elections to the Local People's Hurals are held again.

E. Bat-uul, the Mongolian Democratic Party leader, stressed that the Mongolian People's Revolutionary Party, which, as he said, seeks to keep its position in a state position, is the culprit of the weak structure of present state bodies.

Institutes Reorganized To Improve Training

OW1202213791 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1626 GMT 12 Feb 91—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 12 Feb (OANA-MONTSAME)—At the decision of the MPR [Mongolian People's Republic] Government, polytechnical, medical and agricultural institutes were reorganized into universities. According to the government statement, these universities should become educational and scientific centres in order to improve the quality of professional training of specialists.

By renewing the educational structure and system we should first of all raise the level of fundamental knowledge of doctors-to-be. Medical colleges would be set up at the university. This means that students will get stage-by-stage knowledge. The professional skill of a university graduate will be valued only by the level of knowledge received during his studies, said Professor D. Dungerdorj, rector of the medical university, to a MONTSAME correspondent. Ten more new laboratories will be set up here in the nearest future. Japan, USA and Germany are going to provide these laboratories with modern equipment.

New Cultural Society Adopts Program, Elects Head

OW1102181991 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1617 GMT 11 Feb 91—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 11 Feb (OANA-MONTSAME)—The newspaper "UNEN" informs about the foundation of the Society of Cultural Heritage of Buriats. The constituent session has adopted the programme and the rules of the society. G. Odon, the MPR [Mongolian People's Republic] people's artist and the state prize winner, is elected the head of the society. The society will have its own newspaper.

MONTSAME Reviews 12 Feb Press

OW1202213991 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1634 GMT 12 Feb 91—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 12 Feb (OANA-MONTSAME)—The newspaper "ARDYN ERH" informs about the meeting of P. Ochirbat, the MPR [Mongolian People's Republic] president, with the leaders of Mongolian trade union organisations. During the meeting there was an exchange of views on the interrelation among state bodies and trade unions.

The newspaper reports on the talks between D. Byambasuren, the MPR prime-minister, and V. S. Pavlov, the Soviet prime-minister in the Kremlin. It is their first meeting as the heads of the goverments. V. S. Pavlov hosted a dinner in honour of D. Byambasuren. The newspaper reports on the working visit of R. Gonchigdorj, vice president and the chairman of the MPR State Little Hural, to Austria. R. Gonchigdorj was received by Kurt Waldheim, president of Austria, and also met with the chairman of the National Chamber of the Austrian Parliament, the chairman of the federal chamber and with some ministers and the heads of trade and industrial chamber of austria. The representatives of Austrian financial, economic and trade circles positively responded to the restructuring process underway in all spheres of Mongolian society and expressed their readiness to study the possible ways of cooperation in the fields of animal husbandry, tourism, environmental protection and in setting up joint ventures. The newspaper also notes that R. Gonchigdorj has arrived in the Soviet Union on a working visit.

The newspaper reports on the MPR Government decision to organize a youth and sport commission attached to the government. It was also decided to from a bureau of realizing the policy in the field of mining industry and non-ferrous metallurgy. The newspaper published the government statement on the development of small enterprises.

The paper informs on the outcomes of the work of medical commission which had to examine the former Mongolian leader Y. Tsedenbal's health condition, and find out whether it is possible to bring him to the court. The commission concluded that because of bad health condition Y. Tsedenbal is not able to be charged with what he has done.

The newspaper "UNEN" carries a speech by G. Ochirbat, MPRP CC [Mongolian People's Revolutionary Party Central Committee] chairman, at the 25th city party conference. He stressed that it was necessary to take decisive measures at renewing the Mongolian People's Revolutionary Party in new conditions.

The paper notes that a group of MPRP members has made a statement about the formation of a "Mongolian people's party" wing in the MPRP and has formed a coordinating group, which is to work out the wing's draft programme and its rule. They are to be submitted to the forthcoming 20th MPRP Congress for consideration. The newspaper continues publishing the discussion of urgent problems of party's renewal.

IMAGE EVALUATION
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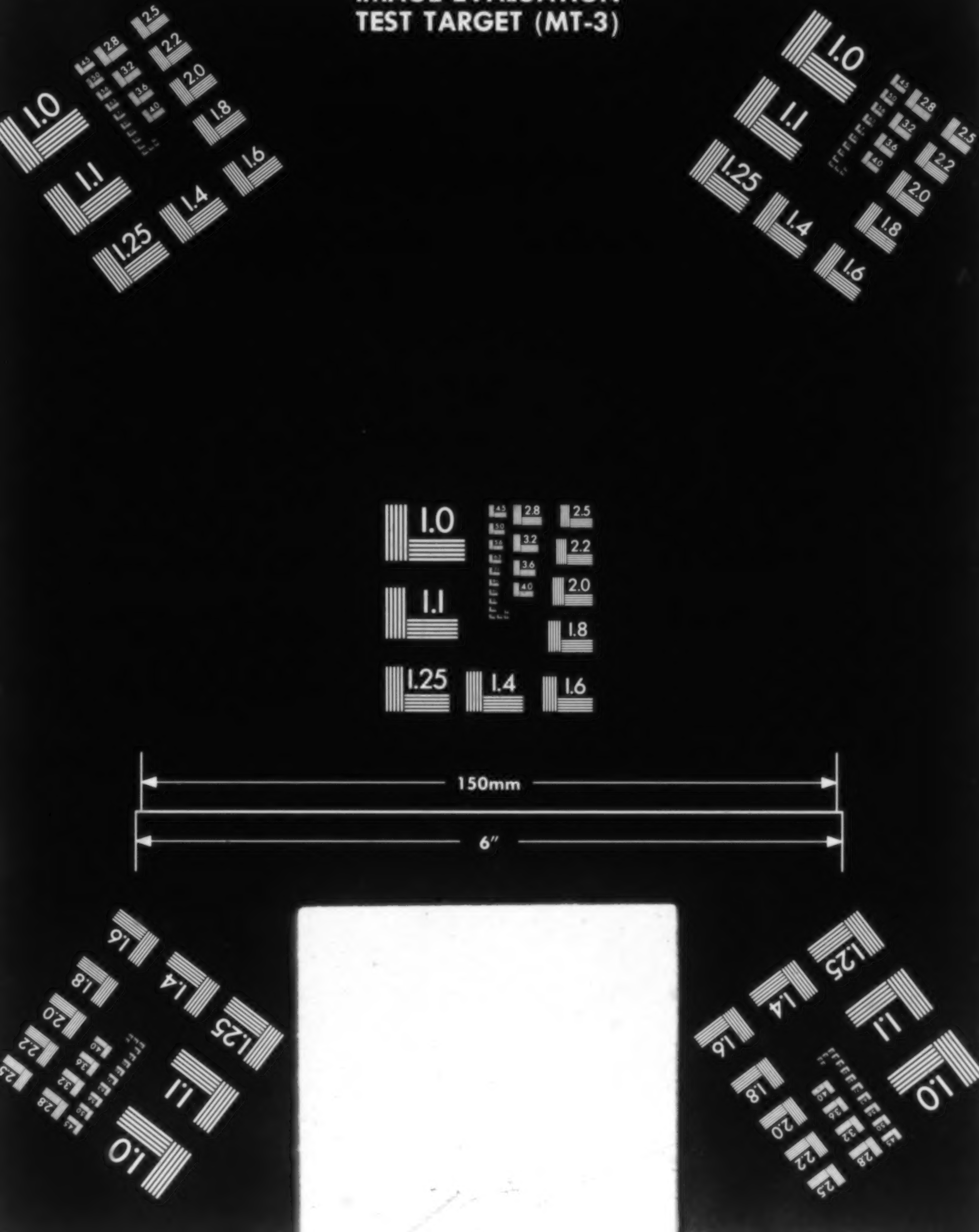
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